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FINANCE AND POLITICS;

AN HISTORICAL STUDY.

1783-1885.

BY SYDNEY BUXTON, M.P.

AUTHOR OF "A HANDBOOK TO POLITICAL QUESTIONS," ETC.

IN TWO VOLUMES.

VOL. I.

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TO

SIR JOHN LUBBOCK,

AT WHOSE SUGGESTION THIS WORK WAS BEGUN;

AND TO

HIS DAUGHTER, MY WIFE,

WITHOUT WHOSE HELP AND ENCOURAGEMENT IT WOULD

NOT HAVE BEEN ACCOMPLISHED.

TO THE READER.

MY original idea in beginning this book, some six years ago, was to treat strictly of finance, and to take up the subject where it had been left by Sir Stafford Northcote. I was fortified by a kindly letter of encouragement from him, and—determining to put out of my mind the disadvantage under which an inferior writer must labour, who, in any way, invites comparison with such a master of English style—I intended to follow, however haltingly, in his footsteps. I soon convinced myself, however, that no natural line could be drawn at the year 1860. For the proper understanding of that year, the policy of the previous seven years had to be studied; and to understand that which was done in 1853, it was essential to master Peel's fiscal reforms. But those of Peel had followed on those of Huskisson, and to show what Huskisson did, it was necessary to show on what foundation he worked. This took the story back to the time of the Great War, from which dates so much of our taxation; and before dealing with Pitt as a War Minister, something had of necessity to be said of Pitt as a Peace Minister also.

Then, again, the feeling grew upon me that Politics and Finance, the Constitutional and the Industrial system of the country, cannot be historically dissociated without

detriment to the proper understanding of each. If we go back to early history this fact stands out clearly enough ; for, in earlier days, the interest felt in financial matters took a more violent form than is its wont at present. It was, to a large extent, a money grievance that prompted the action of the Barons at Runnymede. Wat Tyler's revolt, of the end of the fourteenth century, was due to a poll-tax ; and it was a strong feeling against extravagance and exorbitant taxation that stirred the followers of Jack Cade, some seventy years later. If it had not been for his arbitrary levies, Charles the First would probably not have lost his head. The robbing of the Exchequer by Charles II. hastened the decline of the popularity of the Restored Stuarts. The exactions of James II., and the idea that he was supplementing his legitimate revenue by secret supplies from Popish France, had much to do with the revolution of 1688. William III. did something to consolidate his throne by relinquishing, almost as his first act, the obnoxious "hearth-money." It was an attempt to "shear the wolf" which lost us a Colony, and added a hundred millions to our debt. North's weak finance helped to discredit his administration ; Pitt's strong finance strengthened his hold over the country.

I shall hope to show how inextricably finance and politics have been interwoven in English history during this century. Vansittart weakened, Huskisson strengthened, the Liverpool Government. In 1827 the Goderich Ministry was broken up by a squabble over a Finance Committee. The administration of the Duke of Wellington went out on an economical question. It was the cry of "Retrench-

ment" almost as much as the cry of "Reform" which gave to the Whigs their popularity; as it was their wretched finance which, later, did much to bring on them reproach. Peel came into office on the question of finance; and it was a question of fiscal reform which caused his fall. The financial difficulties of the Russell Government were chronic. Lord Derby's first Government went out on their Budget. The year 1853 marked an epoch in English history. Palmerston's second Government derived much of its strength from the doings of its Chancellor of the Exchequer. Finance played a prominent part in, and did much to decide, the elections of 1868, 1874, and 1880. In 1885 a Government, for the second time, went out on its Budget, and a financial defeat brought about a great crisis in English history.

Finance affects the prosperity of the country and the comfort of the people. Good finance improves trade and lightens burdens, bad finance hampers the one and increases the other. Finance depends on policy, and the policy which affects it the most is that regulating foreign affairs. "Upon the judicious management of our foreign affairs," said Mr. Disraeli in 1868, "depend peace or war, the tranquil pursuits of industry, and the amount of taxation which must be levied in this country. For by a single blunder in the conduct of our foreign affairs, the most provident arrangement of the finances ever planned may in a moment be cancelled and destroyed." Between one nation and another there is, of necessity, sympathetic expenditure on the war services. And England is no exception to the rule. True, her insular position has, to a large extent,

enabled her to avoid the enormous and compulsory standing armies of the Continent ; but the weight of her Oriental Empire has tended ever more and more to drag her into the position of an European Power. The close propinquity of Russia in Asia has brought her more than ever face to face with Russia in Europe ; India has brought her into Egypt, and through Egypt she touches every European nation. Thus, in spite of an increasing desire to carry out a policy of non-intervention, the necessities of her position, and the greater friction and unfriendliness among her European neighbours, have more than once brought about panic, or necessitated hurried preparations for war, though war itself has (except in 1854) been happily avoided.

During the " forty years' peace," though England from time to time had her " little difficulties," they were comparatively infrequent. But from about the date of the Crimean War—a date which the Devil must have marked with a white stone in his Calendar—began a series of chronic wars and disturbances on her Imperial frontier, or in connection therewith ; and decade by decade, almost year by year, the gradual extension of the Empire has increased the points of contact between English civilization and the " simple and violent " world of barbarism. Thus, time after time the nation has been drawn into wars, usually begun in self-defence, always undertaken on the most humane and philanthropic principles, but almost invariably resulting in annexation. Time after time, against their own will, our rulers have multiplied the nation, and, as of old, have not increased the joy.

Thus, in every way, and on every hand, politics and

finance mix and are mingled. And hence it has come about, that, instead of an essay on finance alone, I have attempted a study of English politics and finance.

My original idea also (in 1882) was to bring the history up to 1880 and there to stop. But the scope of the work was enlarged; matter accumulated, which I was loth to put aside; and there came home to me the truth of Sterne's observation, "Let no man say—'Come, I'll write a duodecimo.'" Moreover, other literary, together with much political work, and divers distractions and delays occurred; and though I scorned delights and lived laborious days, year after year passed by, and, leaving 1880 far behind, made it seem advisable to bring the chronicle more nearly up to date.

But in dealing with the years from 1881 onwards, I have done no more than take

" . . . a bird's eye view of all the ungracious past,"

and have ceased from any attempt to criticise in detail the doings of the time. Indeed, the financial historian of the future will find that 1881 marks in many ways a new point of departure. It was the last year of what, by any stretch of imagination, can be considered moderate expenditure. And not only so, but in one way and another, the whole system of national accounts has since been, or is in process of being, radically altered.

Moreover, I found it almost impossible to write impartially of a period so recent, a period in which events have been so stirring, in which party passion has run so high. And, personally, my anxious desire throughout has

been to deal with my subject without party prejudice or personal predilections; though I am too well aware, that in this I have by no means entirely succeeded. I am not, indeed, conscious of having allowed my party predilections to interfere with my judgment of events: but it is almost impossible to study any period, to live for a time with the personages of history, without forming likes and dislikes, sympathies and antipathies, perhaps unreasonable, certainly personal.

Further, I feel I ought to make an apology for offering my criticisms on the proposals and the work of the great Masters of Finance. But the critic of to-day has this advantage at least, that he is writing with knowledge of results, and that it is, comparatively speaking, easy to be wise after the event.

I am afraid that the "general reader," should he cast a casual eye upon my book, will find the interest of the various parts unequal; and the inherent difficulty of dealing with questions of finance without giving figures has, I fear, been too much for me. I have endeavoured in the text, however, to lighten as far as might be, the load of statistics with which a work such as this must necessarily be burdened. I have endeavoured also to avoid unnecessary detail in the figures given. "Round numbers," said Dr. Johnson, "are always false:" but, with all due respect to such an authority, I believe that round numbers are, in many cases, the most truthful, because they convey the clearest idea to the mind of the reader.

"One last remark I wish to make, one last explanation I wish to offer"—there are in this book far too many notes,

and these notes are far too discursive. But I couldn't part with them. Either they seemed to me to contain solid information which would encumber the text, and yet could not well be omitted ; or they consisted of quotations, and remarks of my own, which it has amused me to jot down in passing, and which the reader is at full liberty to skip.

I am most anxious, in conclusion, to express my gratitude for the very valuable and most kindly help which has been given to me by Mr. George Barnes, Sir John Lubbock, Mr. Stephen Spring-Rice, and other friends.

S. C. B.

15, EATON PLACE,
April, 1888.

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FINANCE AND POLITICS.

CHAPTER I.

PITT AND HUSKISSON.

1783—1827.

THE financial record of Great Britain from 1783 to 1801, is a record of Pitt's eighteen consecutive Budgets; just as the political record is a record of Pitt's eighteen consecutive years of Premiership. Becoming, when only four-and-twenty, by the arbitrary act of the King, Prime Minister and Chancellor of the Exchequer, the only Commoner in his Cabinet,* he held office without interruption until 1801; when, being unable to meet the views of the King on the question of Roman Catholic Emancipation—"the most Jacobinical thing" His Gracious Majesty "ever heard of"—he resigned.

Addington, while Pitt supported him, carried on well enough for a time. But

"In peace or war, too weak to govern shown,"

the "Doctor" was, it was soon felt, not equal to the post, and in 1804 Pitt, no longer able to restrain his impatience, resumed office.† In 1805 he produced his nineteenth and last Budget, a

* "A sight to make surrounding nations stare :
A Kingdom trusted to a schoolboy's care."—*The Rolloid*.

Pitt was for a few months Chancellor of the Exchequer in the Shelburne Ministry of 1782–3. After the fall of the Coalition Ministry in December, 1783, Pitt became Prime Minister, and remained in office until Feb., 1801. His first budget was that of 1784. He presented also that of 1801.

† Addington resigned in 1804 on a vote with reference to military defences, though he had on it a majority of 240 to 203. But his majorities had been dwindling, and Pitt and Fox were now arrayed against him. See Lewis's *British Administrations*, p. 242; *Life of Pitt*, i., chaps. xxii., xxiii.

Budget involving a great increase of taxation. Then came, within a few months of one another, Trafalgar, which cost us Nelson, and Austerlitz, which gave the death-blow to Pitt,—the one victory making England supreme at sea, the other making France supreme on land.

Pitt's career was divided into two almost equal epochs—the first of peace, the last of war. Succeeding North, who, with a slight break, had been Chancellor of the Exchequer since 1767, and Prime Minister for twelve years, he found the task of bringing back stability and method into the finances of the country no light one. North's easy-going obstinacy had been as disastrous in financial as in Colonial and Foreign policy. Lacking originality, he had turned to the *Wealth of Nations** for guidance. But he was unable to grasp the whole truth as taught by Adam Smith, and, while accepting the suggestions for increased taxation, he omitted to couple with them that revision and simplification of the tariff and of the taxes which formed the main part of his adopted master's design.

Pitt's first task was to bring about an equilibrium, and to put an end to the deficit which was fast becoming chronic. And this he did, on the one hand, by funding a mass of unfunded debt, as well as by reforming and checking expenditure, and, on the other, by the courageous imposition of taxation. The load of taxation, and the multiplicity of taxes imposed by Pitt, are commonly attributed to the strain of war. But, as a matter of fact, in the ten years before war came, the revenue of the country, partly through additional taxation and partly through the improvement of receipts following on fiscal reform, had increased from 13¼ to over 18½ millions. Somewhat curiously, his first taxes, those imposed in time of peace, proved themselves to be less satisfactory and less durable than many of those subsequently imposed during time of war. With the exception of the licence to kill game, not one of Pitt's peace taxes now survives; indeed, many of them were relinquished as admitted failures by their author himself.

* Published in 1776. Adam Smith is one of the few men who, by their writings alone, changed the whole tone, habits, and opinions of his countrymen. As Bagehot says, in his *Economic Studies* (p. 97), Adam Smith was "the beginner of a great practical movement," which he brought home to the mass of the people. See Haldane's *Adam Smith*, 1887. The edition of the *Wealth of Nations* referred to throughout is McCulloch's edition of 1872.

The war taxes, on the other hand, for the most part still survive, and form a very substantial portion of the revenue of the country.*

And while not shrinking even in time of peace from the imposition of necessary taxation, Pitt devoted himself assiduously to the improvement of the whole fiscal system, and was able to accomplish reforms many of which successfully withstood the ravages of war. Anticipating the great guiding principle of Sir Robert Peel, he strove, and strove successfully, above all to create a surplus. Realizing that "true economy is better than a great revenue," he—whose first speech had been in favour of Burke's "Economic Reform Bill"—applied himself diligently to the reduction of expenditure, to the abolition of sinecures, to the prevention of waste and corruption, jobbery and favouritism,† and to the improvement of account and of audit.

Appreciating the financial truth, first partially realized by Sir R. Walpole, that industries do not exist merely for purposes of taxation, and that judicious reductions, combined with simplification of levy, will, in the end, by stimulating consumption and by diminishing smuggling, increase the revenue, Pitt improved the system of warehousing, simplified the method and reduced the cost of collection, and—when he could find the means, for he would not risk a deficiency—lowered excessive duties.‡

Applying himself to the simplification of the tariff, he produced comparative order out of chaos, by repealing the then existing system of customs and excise duties,—a mode of collection as barbarous as it was injurious; under which, not only were the number of articles charged with duty innumerable, but most of

* The new taxes imposed between 1783 and 1792 were those on hats, gloves, mittens, perfumery (perfumes, tooth powder, pomatum, &c.), on shops and on female servants, all repealed by Pitt himself; on bricks, repealed in 1850; on horses and racehorses, repealed in 1874, (now to be re-imposed); and on "sporting," which as a "game licence" still exists. The new war taxes imposed by Pitt were of a more serious description, and comprised the income tax, the legacy duty, taxes on dogs, on attorneys, armorial bearings, and marine insurance—all of which (the income tax after an interval of extinction) still exist. The taxes on "convoys" (see *I. 143 n.*), watches, hair powder, and horses employed in industry, were subsequently repealed.

† "It is," as Mr. Lecky remarks, "a shameful instance of the perverting influence of party spirit that Sheridan, and even Burke, . . . should have ridiculed the minute economies of Pitt, . . . describing his measure for enquiring into fees and perquisites as a 'ratecatching bill, instituted for the purpose of prying into vermin abuses.'" (*History of England in the Eighteenth Century*, v. 33.) See Massey's *History of England*, vol. iii.

‡ Especially that on tea. See *I. 306*.

them were taxed over and over again, under different "subsidies," "imposts," and "duties," granted from time to time, and dating back to many previous reigns. Instead of these complications, one single duty was imposed on each article; the number of articles charged with duty not being however affected. He grouped together, under the name of "assessed taxes," the "establishment," land, and house taxes,* and placed their collection under one Board. In order to diminish fraud and smuggling, he further extended Walpole's system, and transferred the collection of several duties from the Customs to the Excise Department.†

Turning his attention to the complicated system of mortgaging each item of revenue to some particular purpose or some particular fund, Pitt created in its place one general "Consolidated Fund," grouping together the permanent national liabilities, and hypothecating to them the permanent revenues of the country.‡

By means of a sinking fund, established on a "spirited and permanent plan," the country was to be gradually relieved of all its incumbrances. A scheme which did much to improve public credit and to restore financial confidence. A system which, whatever its faults (and these will be presently discussed||) was intended by its author to be based on an annual surplus of revenue over expenditure.

By his Commercial Treaty with France in 1786, founded on a system of reciprocal benefit, he (for the moment at least) put an end, both to the injurious war of tariffs, which for a century had crippled the trade between England and France, and to the theory of the "unalterable enmity" between the two countries:—a novel state of things which could not, and did not, long outlive the declaration of war.**

Pitt was, in his earlier years, so cramped and fettered by the excesses of his predecessors, that it was not until the last year of peace that he was able freely to remit taxation without having to make corresponding additions.†† Thus, though he more than once managed to make the burden of taxation somewhat

* See *I.* 111 and *II.* 82—95.

† See *I.* 23.

‡ See *I.* 30.

|| See *Chap.* XXIX.

** See *Chap.* XI.

†† In 1792, so flourishing was the state of the finances, that Pitt was able both to add to the sinking fund and to remit taxation. See Pitt's *Speeches*, ed. 1808, February 17th, 1792. The foreign trade of the country—exports and imports—had increased from under twenty millions in 1782 to nearly forty in 1790.

less oppressive, much of his fiscal work was but the shifting of a load he could not lessen. And then, just when the finances of the country had been brought into a sound and healthy condition,* when “dejection and gloom . . . doubt and uncertainty,” had been dispersed, when reform and economy had increased the revenue, diminished the debt, purified the services, improved trade, and would have enabled him to reduce the burdens on the people, the war cloud descended on the country.

If Pitt had had the good fortune of Walpole; if, like Walpole, he had found the finances in a sound condition, and had enjoyed twenty years of uninterrupted tenure of office in an epoch of peace, it is safe to predict that he would have anticipated many or most of the financial and fiscal reforms of Huskisson, perhaps even those of Peel and Gladstone, and that his long administration, if less eventful, would have been more beneficent.†

His record was, indeed, more enduring than that of Walpole. Forty years of war and blundering had, when North retired, almost entirely obliterated the handiwork of Sir Robert. Twice that number of years have, in many respects, but confirmed the fiscal reforms that Pitt carried through while peace yet prevailed, and affirmed the wisdom of his choice in regard to much of the taxation he imposed, under stress of war.

It was due mainly to his fostering care that England, in 1793, entered into the Great War more wealthy and prosperous than

* The price of Consols was between 56 and 57 when Pitt came into office (Tomline's *Memoirs of Pitt*, i. 484). In 1792 they rose as high as 97. The lowest price they touched during the war was 47½, in August, 1798. (See a curious MS. book by Van Sommer (1840) of the fluctuations in Consols between 1788 and 1829. The book is in the library of the House of Commons.) Pitt's first loan of 1793 was contracted at 72 for the 3 per cent. stock. The loan of 1798 was contracted at about 50.

† Walpole's biographer—Archdeacon Coxe—says of him that “he found our tariff the worst in the world; he left it the best.” In the year in which he returned to office, 1721, the net expenditure amounted to £5,873,000, and the net income of the country to £5,954,000. In 1739, the last year of peace, the expenditure was but £5,210,000—an “immense sum,” as the Speaker told the king—and the revenue £5,820,000, and during most of that period an annual surplus was realized. These were indeed the halcyon days of finance. Walpole, the father of financial and fiscal reform, reduced excessive taxation, extended the warehousing system, simplified the tariff, and by the reduction of custom duties diminished smuggling and encouraged the import of foreign goods. He shrank, however, from the unpopularity of further attempts to improve the system of warehousing and of excise collection; he imposed a salt tax in order to reduce the land tax; and he plundered the sinking fund which he had created.

any other nation, and with commerce abroad and means of communication at home extraordinarily extended. A pecuniary position which earned her the questionable distinction of standing, during a full generation, in the forefront of the fight against France, and of alternately subsidizing* and being embroiled with almost every other nation in Europe. It was then England learnt the lesson that the one faithful friend was the "only ally she did not pay—Providence."

A strict economist in peace, Pitt was a very prodigal in war, and the ease with which he managed to raise the enormous number of millions he required, strikes modern financiers with wonder. War made an end of economy, and of surpluses. The deficit in 1793 (exclusive of the sinking fund) was a million and a half, by '94 it had risen to ten, and by '95 to twenty millions; after that—the deluge.

At first Pitt did not realize the gravity of the situation, or appreciate the nature of the struggle into which he had been forced. France bankrupt, and apparently in a state of disruption, seemed no very formidable foe; and Pitt, greatly as he disliked the war, looked confidently to a successful struggle and an early peace.† He fell, therefore, into the fatal error‡ of making at first no special effort to meet the heavy war expenditure; and, with the exception of the imposition of taxation sufficient to meet the interest and sinking funds on the new loans, he did little or nothing to prevent the increase of debt. Indeed it was not for some four or five years after the outbreak of war—when, in France, order had emerged out of chaos; when, instead of being subdued,

* Between 1793 and 1816, England, following out Pitt's Continental policy, by loan or subsidy paid over to her allies, while they were allies, no less a sum than fifty-seven millions, in addition to other payments; besides providing them with over two millions of small arms and bayonets. The countries to whom subsidies were given numbered and included every nation in Europe, with the exception of Turkey. (See the invaluable *Public Income and Expenditure Return of 1869* (*P.P.* 366, 366, i.), pp. 681-2, &c.)

† See Lewis' *British Administrations*; Massey, iii., 470; Malmesbury's *Diary*, 1801; Pellew's *Life of Lord Sidmouth*, i. 157; Lecky, v. 55, vi. 134; Macaulay's *Essays*, "Pitt," p. 394; cf. also Burke's *Letters on Regicide Peace*, 1796.

‡ Mr. Newmarch, in his exhaustive article on Pitt's Loans (*Stat. Journal*, June and Sept., 1855), argues that the financial state of the country and of the public credit was so deplorable for some time after the outbreak of war, that it was impossible for Pitt to have imposed additional taxation at that time. Compare Gifford's *Political Life of Pitt*, vol. iv. See against this, Parnell's *Financial Reform* (4th ed. 1832), p. 285; Gladstone's Speech, *Hansard*, May 8th, 1854, &c.

she had been victorious over our allies and had actually threatened our own shores; when, at home, financial pressure had necessitated the suspension of specie payment, and credit had fallen low indeed—that the gravity of the contest was realized, and a determined effort was made to overtake the ever-increasing liabilities.

In the autumn of 1797 Pitt rose to the occasion, and, from that time onwards, he and his successors did not relax their truly heroic efforts to meet a large portion of the current liabilities from immediate taxation, instead of throwing the whole burden on future generations. The resources of indirect taxation being inadequate to meet the emergency, recourse was had to a direct property tax, and the “triple assessment” was imposed. But finding the levy only partially successful, and, though supplemented by the “loyalty loan” and by voluntary contributions, wholly inadequate to the occasion, Pitt did not shrink from imposing, nor his successors from reimposing, a ten per cent. income tax,* while in other ways the revenue was rapidly increased. But, by this time, it was too late to repair the laxity of earlier days. So rapidly and lavishly had debt been created, that the mere interest on the new capital swallowed up a very large portion of the additional taxation imposed, leaving little available to meet the ever-increasing expenditure. Thus, in spite of these later endeavours, the cost of the war was far beyond the immediate means of the country, and millions had to be borrowed by the score.†

The nation, numbering some fourteen to fifteen million souls, entered into the Great War burdened by a debt of two hundred and forty millions, and with an expenditure (exclusive of the

* Equivalent to 2s. in the pound. See *I. 111*.

† In the first four years of the war, 1793–7, the taxation imposed only increased the revenue of Great Britain and Ireland by some three and a quarter millions, while a sum of 150 millions was added to the debt. But in the four succeeding years, ending with the peace of Amiens, the revenue of the country was raised by some fourteen millions a year, and the debt increased by only 127 millions. After the renewal of the war, the revenue was again rapidly increased, until, from 39 millions of 1801, it had been raised to 73 millions in 1810, and to 79 in the last year of the war. But the expenditure was so profuse, that the debt continued still more rapidly to rise, and by 1810 a further 150 millions had been added, and by 1815 yet another 200 millions. Napoleon's last “hundred days” of power cost England, it is said, 100 millions—a million a day.

See *National Debt Return*, P. P. 443 of 1858, and Budget Tables in vols. i. and ii. of *P. I. and E. Return of 1869*; Newmarch, *Stat. Jl.*, Sept. It must be remembered that in these tables the expenditure and revenue are given “net” previous to 1800, and after that “gross.” In the above they are given throughout as “gross.”

sinking fund) of some eighteen to nineteen millions a year—of which the Army and Navy absorbed about six, and the Debt charge nine and a half—the revenue amounting to about twenty millions.*

Twenty-two years later they emerged from the War—a war which had seen a generation come and go, and a hostile Republic change into an aggressive Empire—numbering some twenty millions of persons; burdened by a debt of nine hundred millions; with a revenue of nearly eighty, and with an expenditure of a hundred millions, of which the debt now absorbed thirty-two,† and the Army and Navy over fifty-six millions. Everything taxed, all industries “protected,” and wheat at famine price. But England was triumphant, if almost exhausted; of the sea the undisputed mistress; hers the only great capital in Europe which had never been occupied by the French.

The world, weary of conflict, looked forward to a long spell of peace. The “balance of power” was restored. France, governed by a Bourbon, her strength exhausted, her territories curtailed within their ancient boundaries, was no longer a source of danger. Kings and Emperors, freed from the dominion of the Usurper, cut and carved the map of Europe according to their liking, on the settled principle that the voice of the Ruler was the voice of God.‡ Europe was prostrated by the war, and peace at any price was eagerly welcomed: and the arrangement of Vienna, though suppressing liberty, though charged with future agitation, and though throwing back civilization over the greater part of the Continent, kept Europe for a space free from fear of war or dread of revolution.

The first seven years succeeding the restoration of peace were

* The Irish revenue (£1,368,000) and expenditure (£1,395,000), then kept separate, are included in the above figures. See Porter's *Progress of the Nation*, ed. 1847, pp. 8, 25, &c.; Adam Smith, pp. 460, 467; *P. I. and E. Return*, ii., Tables, &c.

† The war is estimated to have cost (excluding the interest the nation has had to pay ever since, and the enormous difference in the price of issue and redemption of the stock) some £830,000,000, of which £230,000,000 was immediately met, and some £600,000,000 added to the debt. For a discussion of the question of Pitt's method of raising loans, see *II.* 202 *n.*

‡ “Useful and necessary changes in legislation and the administration of States, ought only to emanate from the free will and the intelligent and well-weighed conviction of those whom God had rendered responsible for power”—the corner-stone of the “Holy Alliance” of 1815, between the Emperors of Russia and Austria and the King of Prussia. Well might the Duke of Wellington, in declining to sign this document, say on behalf of his Government that Parliament would require “something more precise”!

among the darkest in modern English history. The excitement and glory of the war had evaporated. Peace but accentuated its hardships and confirmed its burdens. During the time that war was devastating the Continent, British trade, home and foreign, had flourished. The great woollen industry of the country had expanded, and, side by side with it, had risen up the new cotton trade; while the coal and iron industries had likewise, from small beginnings, made enormous progress. Thus trade, in spite of heavy duties, protective tariffs, navigation laws, "Berlin Decrees" and "Orders in Council,"* had doubled, while foreign capital and shipping had been driven by war to seek the security of English soil and of the English flag.

The country had been looking forward to peace as to a time when restraints, and retaliatory restrictions being removed, commerce would still further increase and prosper. But with peace did not come plenty. Peace allowed trade to resume its normal course, and thus put an end to the commercial and naval monopoly that England had lately enjoyed. War, it was soon found, had impoverished her best customers. It had artificially maintained the price of many of the chief products of British manufacture; and with peace came a great collapse of prices.† Peace deprived of profitable employment much mercantile marine that had been used for transport and other purposes during the war; while the great reduction of the fleet itself threw additional shipping on to an overstocked market.

The war had enormously raised the price of all agricultural

* The famous "Berlin Decree," issued by Napoleon in 1806, when practically supreme on the continent, declared the whole of the British Isles to be in a state of blockade, and forbade any intercourse with her. In retaliation, a series of "Orders in Council" were issued, declaring the whole of the coast of France and of her allies also in a state of blockade, and commercial intercourse with them was forbidden. "The Continent," as Peter Plymley said, "was to be reconquered by the want of rhubarb and plums." (Sydney Smith's *Works*, ed. 1840, iii. 464.)

These "Orders"—and especially the high-handed way in which they were carried out—were naturally most irritating to the neutral maritime Powers, whose trade was thereby almost destroyed. And one result springing from them was that, in 1812, England, though she had by that time greatly modified her regulations, drifted into war with America—an uneventful war, which closed in 1814.

† There was subsequently some recovery, but at first the price of most staple articles fell immediately from 50 to 60 per cent. Lead, for instance, from £34 to £18; tin, from £174 to £102; copper, as high as £200 in 1805, was at £140 in 1815, and fell to £85 in 1816. Some sorts of iron fell from £20 to £8; raw cotton, from 2s. 6d. in 1814 to 1s. 7d. in 1816, &c. See Tooke's *History of Prices*, ii., 11 and Appendix. In 1793 wheat had been at 49s. 3d. a quarter; in 1814 it had reached an average price of 126s. 6d.; in 1816 it was at 78s. 6d.

produce; and, with wheat often at five pounds or more the quarter, thousands of additional acres had been brought under cultivation. Peace lowered these prices thirty to fifty per cent., and a disastrous harvest in 1816 destroyed much agricultural capital. Rents, which had increased four or five fold during the war, threatened to come down with a run; so, to remedy the agricultural distress, and to maintain prices, a stringent corn law was imposed, which, while unsuccessful in maintaining the price of corn, further seriously injured the commercial interest, by diminishing the power of other nations to purchase British goods. Gold had been drained abroad to supply our armies and to pay for those of our allies; bank failures and restriction of note issue had reduced the circulating medium, and great stringency and uneasiness prevailed in the money market.*

Thus profits, prices, and trade shrank together, and vast numbers of persons were thrown out of work. Thousands of disbanded soldiers and sailors helped to swell the ranks of the unemployed; † while the rapid extension of machinery, by increasing the powers of production, and by shifting the centres of industry, for the moment aggravated the distress; the demand for goods had not yet grown up to the increased supply, labour had not yet accommodated itself to the change of locality. Thus

* “Gone is that gold, the marvel of mankind,
And pirates barter all that’s left behind.
No more the hirelings, purchased near and far,
Crowd to the ranks of mercenary war.
The idle merchant on the useless quay
Droops o’er the bales no bark may bear away;
Or, back returning, sees rejected stores
Rot piece-meal on his own encumber’d shores;
The starved mechanic breaks his rusting loom,
And desperate mans him ’gainst the coming doom.”

Byron’s *Curse of Minerva*.

† Adam Smith speaks of the number of disbanded soldiers and sailors as “more than 100,000—a number equal to what (*sic*) is employed in the greatest manufactures.” But the number must have been much larger. In 1813 there were 147,000 sailors and marines in the service; and (excluding the foreign corps of some 30,000 men, and including the Ordnance and embodied Militia), there were about 350,000 men in the army under arms, making together a total of nearly half a million. But, by 1817, there were only 23,000 men in the navy and about 103,000 in the army, a total of 126,000, a reduction in four years (allowing for casualties) of at least 300,000 men, turned adrift to find employment elsewhere. (See *P. I. and E. Return*, 1869, pp. 695, 702; Report *Finance Committee*, 1817; and *Parliamentary Paper*, No. 213 of 1859, Sess. I. Huskisson, on July 9, 1817 (*Speeches*, ii. 6), spoke of the peace having discharged from the army and navy “from 400,000 to 500,000 persons, who had formerly been consumers, but who now became competitors in the market of productive labourers.”

work was scarce, labour abundant, wages low, and distress universal.

To make matters worse, the rulers were totally out of sympathy with the ruled. A starving people, sullen and suspicious, took leave to doubt the assertion of a detested ministry that, if things were bad, at least, they derived "inestimable advantages" from the existing system of law and government, "the most perfect that had ever fallen to the lot of any people." *

Discontent and Luddite outrage had been rife enough before the close of the war; and after the peace plots, riots, risings, incendiarism, machine-breaking, and treason, became the order of the day. The Government attributed the discontent chiefly to the inevitable "agitator," who was "shaking all respect for established authority and ancient institutions;" and force—

"New laws to hang the rogues that roared for bread,"—

was the only remedy in which they believed. The Habeas Corpus Act was suspended. Liberty of person, press, and speech were suppressed; and the Home Office did not scruple to utilise spies and informers. Suppression but made matters worse. Threatening demands for reform arose, leading to the Peterloo "massacre," to further repressive and oppressive measures, followed by the Cato Street conspiracy,† and ending in general gloom, depression, uneasiness, distrust, and discontent.

Castlereagh's own pistol did but execute the people's unwritten decree, and the hardly suppressed "hurrah of triumph" that went up over his dead body,‡ marked the depth of unpopularity to which the Ministry had fallen.

Then, in 1822, came a change. Exit, within a few months of one another, Addington,|| Castlereagh, and Vansittart. Addington,—

"Without the aid of wit or parts,
And not a grain of statesman's arts,"

Home Secretary; Castlereagh, "very smooth yet grim," Foreign

* Prince Regent's Speech, Jan. 28th, 1817.

† The Peterloo Riots were in 1819. The "Six Acts" were passed in the same year. The Cato Street Conspiracy was in 1820.

‡ He committed suicide in August, 1822. See *Torrens' Memoirs of Lord Melbourne*, i. 167; *Croker's Correspondence*, i. 226, &c.

|| Addington was now Lord Sidmouth; Castlereagh was Lord Londonderry at the time of his death; Vansittart was created Lord Bexley.

Secretary and leader of the House ; Vansittart, Chancellor of the Exchequer, that “devout man of leather,” whom Huskisson, with considerable truth, once stigmatised as the “real blot and sin of the Government.”* Enter Canning, Huskisson, and Peel. The head of the Government remained, indeed, the same, but the policy of the Government, foreign, home, and financial, was radically changed.

Canning, succeeding his life-long rival as Foreign Secretary and leader of the House, inaugurated a new policy abroad, the policy of leaving the nations to settle their own form of government without foreign intervention. Huskisson, as President of the Board of Trade, in co-operation with Robinson, the Chancellor of the Exchequer, initiated fiscal reform. Peel, at the Home Office, was humane, conscientious, and liberal minded.

The nation were fortunate in their new rulers, but the new Government were themselves fortunate in the time at which they acceded to office. The late Government had had to bear the brunt of the distress, disturbance, dislocation, and disappointment caused by the peace. And now the worst of the crisis was over. Consumption had increased, capital was seeking investment, labour was more in demand : a period of depression was to be followed by a period of expansion. A new era was begun ; an era of “reform ” was inaugurated.

The first few years after the war had been illumined by no ray of financial enlightenment. Economy had indeed prevailed, the economy not of choice but of necessity, for the Government were not allowed the wherewithal to be extravagant.

The main stay of extravagance then—that which has something to do with extravagance now—the income tax, had, despite the protests of the Government, who vainly struggled to retain at least one half, been forcibly swept away by the House of Commons, on the final return of peace.† The obnoxious tax was “defeated for

* “If blocks can from danger deliver,
Two places are safe from the French :
The first is the mouth of a river,
The second the Treasury Bench.”

Spirit of the Public Journals, 1802, p. 206.

† By a vote of 238 to 201, the defeat of the Government “was declared amidst the greatest cheering and the loudest exultation ever witnessed within the walls of the English Senate.” Tayler, *History of Taxation*, p. 71.

ever"; and the House, giving way to the impulse of the moment, went so far as to order that all the books and records relating to it should be destroyed.*

The extinction of the tax was due partly to a natural desire for economy and reduction of taxation,—“an ignorant impatience for relaxation of taxation,” as Castlereagh sneeringly called it,—partly to the fact that the tax had been granted “for and during the continuance of war, and no longer”; † partly to the hesitation felt by Parliament to trust to a Government smitten with “Imperial ideas,” ways and means that might be used to turn England into a military nation, “a nation of slaves.”

Thus disappeared, at one fell swoop, considerably over fourteen millions of revenue, and for nearly thirty years no Government ventured to propose the re-enactment of the “oppressive and inquisitorial” tax, but had to subsist as best they could, relying almost entirely on indirect taxation.

Along with the income tax were, moreover, relinquished the war malt tax, and some other minor sources of income, at a loss of another three millions a year. These remissions, combined with a dwindling revenue, reduced the available income by some twenty millions a year—from seventy-nine millions in 1815, to fifty-nine and a half in 1818—and, of this income, some thirty to thirty-two millions were absorbed by the ordinary charges for the debt, and from fifteen to sixteen millions by the military and naval services.

But if, on the one hand, the loss of revenue entailed by these remissions induced to economy, it had on the other the enormous disadvantage, not only of preventing fiscal reform, but even of aggravating the existing financial chaos. In 1819—in order still further to increase the sinking fund, and to make good

* On the motion of Brougham. *Hansard*, May 13th, 1816.

† In 1815 (*H.*, Feb. 20th)—when peace seemed assured—the Government stated that they did not propose to renew the income tax, but that they would raise some five millions of revenue by other taxation. On April 19th—after the escape of Napoleon from Elba—the income tax was renewed “during the present year and until the 6th day of April next after the ratification of a definite treaty of peace.” But the “hundred days” involved enormous expense, and the Government desired to retain the income tax at least for two years, “for the purpose,” as the Chancellor of the Exchequer said, “of winding up the expenses of the war” (*H.*, March 12th, 1816). See also debate of Feb. 1st and 27th and March 5th, 1816, and petitions of London Corporation and others (Feb. 13th and March 7th), &c.

See Yonge's *Life of Lord Liverpool*, ii. 133, &c.

the loss entailed on the consolidated fund by the amalgamation of the revenues of England and Ireland *—it became necessary to obtain some three millions of additional revenue; and the taxation imposed took the form of increased burdens on almost every article of general consumption (tea, sugar, coffee, pepper, tobacco, spirits, wine, and malt), together with an increase on the export duty on coal, and an enormous addition to the import duty on wool,—taxation which, while it still further harassed trade, produced not a tithe of the revenue expected from it.

Some remission of taxation was indeed given three years later, when Castlereagh and Vansittart, having, as they thought, arranged a considerable diminution in their annual expenditure, by “spreading” certain liabilities over a considerable number of years, were rejoicing in a supposed surplus. The remission was carried through, but the Debt operation failed, the net result being that the finances were more embarrassed than ever.†

Nor was the loss of revenue alone the cause of the postponement of financial reform. Our forefathers of sixty to seventy years ago were laudably desirous of reducing their huge war debt. Exhausted as they were by the war, with trade bad, prices enormously reduced, distress almost universal, the few wild utterances in favour of the “sponge” met with no response, and the nation, as a whole, were ready not only to keep faith with the public creditor, but voluntarily and cheerfully to maintain and to add to the huge sinking fund, which (as they sincerely imagined) was rapidly reducing the debt.‡ The sinking fund was indeed based on a delusion, but the public at large, and their responsible financial advisers, believed it to be a reality.

The statesmen of the day had not as yet appreciated the fact that remission and financial reform would in the end do more for the revenue, and for the reduction of debt, than the mere retention of oppressive and vexatious burdens. It seemed to them,

* The “net” separate revenue of Ireland in 1816 was four and a half millions, the charge for the Irish debt six and a half millions, and the consolidation involved therefore an additional debt-charge on the revenue of the United Kingdom of some two millions. See Resolutions of Chancellor of the Exchequer of June 7th, 1819, *II*.

† The proposal was to convert an annual charge of five millions (the naval and military pension list), terminable within a limited time, into a terminable annuity of £2,800,000, to run for forty-five years. About £1,800,000 of taxation was to be remitted. (See *II*. 23, “Deadweight” Annuity.)

‡ See *Chap. XXIX.*, for an account of Pitt’s sinking fund.

therefore, impossible to grant remission or to carry out fiscal reform, inasmuch as either would involve an immediate loss of revenue, to the detriment of the sinking fund. And thus, between 1815 and 1823, from fourteen to seventeen and a half millions were year after year applied to the maintenance of the sinking fund; a sum which, though for the most part borrowed, was none the less heavy an incubus on the finances of the country.

The first of the preliminary steps taken, when the new era of fiscal and financial reform began, was the reduction of the sinking fund in 1823 from sixteen to five millions a year; an arrangement which left a surplus of two millions to be devoted to remission of taxation. Even the five millions was found to be too great a strain, and, in 1829, the last relic of Pitt's sinking fund was finally swept away, and in its stead was instituted that form of sinking fund which still exists, and which alone is automatic, whatever be the vicissitudes of the year—the annual appropriation to the reduction of debt of any realised balance of revenue over expenditure.

Thus, the repeal of the income tax, and the maintenance of the voracious sinking fund, prevented the Liverpool-Castlereagh Government, even if they had so desired, from indulging in fiscal reform. Later, first the reduction, and then the final abolition of the sinking fund, combined with improved revenue, permitted, indeed, something in the nature of reform and remission to be undertaken between 1823 and 1842. But not until the policy of 1816 had been reversed, and the income tax had been again imposed in 1842, was it found possible thoroughly to reform, simplify, and purify the fiscal system of the country.

Not, indeed, that Vansittart would have known what to do with an opportunity even if such had presented itself. Vansittart, a specimen of the class whom Dr. Johnson once savagely characterised as men with "minds as narrow as the neck of a vinegar-cruet"; Vansittart, who, on one occasion, when it was notorious that bank-notes were at a considerable and varying discount, solemnly moved a resolution declaring that "in public estimation" they were held as equivalent to gold, "and usually accepted as such;"* who, on another occasion, when the income tax had

* *H.*, May 13, 1811. See debate on "Bullion and Bank Notes Committee," Mr.

been given up, justified the further relinquishment of the malt war duty on the ground that, as the Government had to borrow, it did not much matter whether they borrowed a few millions more or less;* Vansittart, who, like Grenville, believed "regulation to be commerce, and taxes to be revenue,"† was hardly the Chancellor of the Exchequer to promote fiscal reform.

One financial reform of great importance was, however, carried through during this period of darkness,—a reform due chiefly to Peel and Huskisson, and not to Vansittart—the resumption of specie payment. In February, 1797, the pressure on the Bank of England had been so severe that, acting on the instructions of the Government of Pitt, the directors had suspended the payment of gold for their notes,—a suspension which, at first intended to be of short duration, was afterwards annually renewed with the intention that it should continue until six months after a Treaty of Peace was signed. In 1810, a Committee of enquiry, the "Bullion Committee," had been appointed, which had recommended the gradual return to specie payment, on the ground that the mutual convertibility of notes and gold was an essential foundation of sound business. In 1811, the Chairman, Mr. Horner, moved resolutions on behalf of the Committee, but, on the motion of Vansittart, they were rejected by the House. Peace did not bring with it the resumption of cash payments; and, in 1819, another committee, the "Bank Committee," was appointed. Of this committee Peel was chairman, and acting on its report, he, on behalf of the Government, proposed that specie payment should be gradually resumed.‡ The Bank itself anticipated the

Baring's speech. "A guinea at this moment brought 26s. or 27s."—*H.*, Feb. 1st, 1810. "About the year 1813," says Sir Rowland Hill, "one of my brothers sold a guinea for a one pound note and eight shillings in silver." (*Life of Sir Rowland Hill*, i. 40.) The discount on notes at one time, in 1813, rose as high as 29 per cent. (Porter, p. 429.)

* *H.*, March 20, 1816.

† Quoted of Grenville by Mr. Dowell in his *History of Taxation and Taxes in England* (1st ed. 1884), ii. 145; a Work of great value, and to which I am very much indebted.

‡ See his speech, *H.*, May 24th, 1819. See also several of Huskisson's speeches on the subject, both previous and subsequent to the Act (re-published with Biographical notice, 3 vols., 1831), especially that of May 7th, 1811; and his pamphlet of October, 1810, "*The Depreciation of the Currency*," a striking argument in favour of the resumption of specie payment, and containing most orthodox free trade views (i. 50 of *Speeches*).

time fixed by the Act, and, in 1821, the payment of gold for notes was practically resumed.

This question, almost more than any other financial question, for years agitated the public mind. To some, it meant the monetary salvation of the country; to others, it was the cause of every pecuniary disaster, every discomforting fall, or every objectionable rise of price that took place. But for nearly seventy years the system has worked successfully, and no one is now found to question the great advantage that the resumption of specie payment has been to the country.

After Pitt—the Pitt of 1783 to 1793—Huskisson and Robinson were the pioneers of fiscal reform, and it was to their enlightened action that Peel, nearly twenty years later, largely owed the power of carrying through his more thorough and far-reaching reforms. Huskisson—for Huskisson was the prime mover, the good-natured but feeble Robinson being little more than a cipher*—while doing much for freedom of commerce and fiscal reform, did not indeed establish free trade or anything approaching free trade. It is far easier to continue a restrictive system than to recede from it, and Huskisson, though himself a free-trader,† was supremely anxious not to weaken his influence for good by proposing changes for which public opinion was not yet ripe; and in carrying out this wisely opportunist policy, he had to strike a balance between the Prohibitionists, the Protectionists, and the Free-Traders.‡ But his movements, though necessarily

* "Everybody knows that Huskisson is the real author of the finance measures of Government, and there can be no greater anomaly than that of a Chancellor of the Exchequer who is obliged to propose and defend measures of which another minister is the real though not the apparent author." Charles Greville, *Memoirs*, 1st S., i. 81.

Huskisson's masterly, lucid, and enlightened expositions of the fiscal and commercial policy of the country are sufficient in themselves to show who was the real author of the reforms. Canning spoke of him as "the best practical man of business in England" (*Biog. Sketch*, p. 40). He had been one of the Secretaries to the Treasury, under Pitt, in 1804-5.

† In his pamphlet of 1810 (republished by him in 1819) on the "*Depreciation of the Currency*," Huskisson laid down the proposition that the commercial interest of a country "is most effectually consulted by leaving to every part of the world to raise those productions for which the soil and climate are best adapted." See also many of his speeches.

‡ See Parnell's *Treatise on Financial Reform*, p. 72, &c.; Huskisson's own speeches; Herries' speech on Budget in 1841; and Herries' *Memoirs*, ii. 185.

As it was, Huskisson did not escape a share from the Prohibitionists. On one occasion in the House, during a debate in 1826, he was, by implication, denounced by a member interested in the silk trade as an "insensible and hard-hearted metaphysician, exceeding the Devil in point of malignity."

slow and cautious, were sure, and his few years of office at the Board of Trade, between 1823 and 1827, made a lasting mark upon the fiscal system of the country. He found it strictly protective and largely prohibitive; he left it still protective, but far less so than before, and with prohibition, except as to articles of food, practically swept away. He managed, moreover, to interest people in financial reform as they had never been interested before; and his tragic and premature death was felt as a distinct loss by the whole country. He had sown the good seed, and he was, after an interval, followed by those who were capable of reaping the harvest.

Nor were the reforms initiated by Huskisson in any way premature. The fiscal and financial situation was indeed deplorable. Taxation, though a necessity of war, is an art of peace; the time of battle is not a time for remission or reform. Small blame to Pitt and his successors, therefore, if, in the throes of a life-and-death struggle, their impositions of, and additions to, existing taxation were not always judicious. Taxation had been pretty universal before the war;* but every expedient hitherto left untried had then been called into requisition, and no conceivable method of raising revenue had been neglected. Necessity had known no

* Even before the war, successive Chancellors of the Exchequer had been fertile in inventing sources of taxation. Mr. Dowell (ii. 187) aptly quotes some lines written in 1784:—

“Should foreigners, staring at English taxation,
Ask why we still reckon ourselves a free nation,
We'll tell them we pay for the light of the sun;
For a horse with a saddle, to trot or to run;
For writing our names; for the flash of a gun;
For the flame of a candle to cheer the dark night;
For the hole in the house, if it let in the light;
For births, weddings, and deaths; for our selling and buying—
Though some think 'tis hard to pay threepence for dying;
And some poor folks cry out, These are Pharaoh-like tricks,
To take such unmerciful tale of our bricks.
How great in financing our statesmen have been,
From our ribbons, our shoes, and our hats may be seen,
On this side and that, in the air, on the ground,
By Act upon Act now so firmly we're bound,
One would think there's not room one new impost to put,
From the crown of the head to the sole of the foot;
Like Job, thus John Bull his condition deplores,
Very patient, indeed, and all covered with sores.”

Burke, two years previously, had said that “we were already taxed if we rode or if we walked; if we kept at home or went abroad; if we were masters or if we were servants; if we drank wine or if we drank beer; and, in short, we were taxed in every way possible.”

law, and the conflict had left its baneful mark on the taxation and trade of the country. Almost every article that could minister to the wants of man, physical, mental, or moral, was taxed and re-taxed. The duties were complicated and differential to the last degree, the same article being often, with perverse ingenuity, taxed in different ways and under different heads. It seemed to be of little account whether a duty was profitable or whether it was merely vexatious, whether it produced a threepenny-bit,* or whether it produced a million sterling. It might be neither profitable nor protective, and yet be retained.

The raw materials of industry were heavily taxed. Imports of food were practically forbidden, and the price of home produce was artificially maintained. Most foreign manufactures were prohibited; all home industries were protected; Colonial products were differentially favoured. At one and the same time bounties were given to encourage a trade, and harassing excise duties which injured its growth were imposed. Taxation for revenue purposes was levied irrespective of the burden, incidence, or injurious nature of the duty. Navigation laws hampered commerce; complicated customs laws throttled trade. Duties were excessive, collection costly, smuggling rampant, fraud universal.

"We can inform Jonathan," wrote Sydney Smith in the *Edinburgh Review*, 1820, "what are the inevitable consequences of being too fond of glory;—TAXES upon every article which enters into the mouth, or covers the back, or is placed under the foot; taxes upon everything which is pleasant to see, hear, feel, smell, or taste; taxes upon warmth, light, and locomotion; taxes on everything on the earth, and the waters under the earth, on everything that comes from abroad or is grown at home; taxes on the raw material; taxes on every fresh value that is added to it by the industry of man; taxes on the sauce which pampers man's appetite, and the drug that restores him to health; on the ermine which decorates the judge, and the rope which hangs the criminal; on the poor man's salt, and the rich man's spice; on the brass nails of the coffin, and the ribands of the bride; at bed or board; couchant or levant, we must pay. The schoolboy whips his taxed top; the beardless youth manages

* The permanent import duties on saltpetre produced two-pence a year, the war duty a penny.

his taxed horse, with a taxed bridle, on a taxed road ;—and the dying Englishman, pouring his medicine, which has paid 7 per cent., into a spoon that has paid 15 per cent., flings himself back upon his chintz bed, which has paid 22 per cent., and expires in the arms of an apothecary who has paid a licence of a hundred pounds for the privilege of putting him to death. His whole property is then immediately taxed from 2 to 10 per cent. Besides the probate, large fees are demanded for burying him in the chancel ; his virtues are handed down to posterity on taxed marble ; and he is then gathered to his fathers to be taxed no more.” *

It seems scarcely credible to us, now-a-days, that this description was no mere quip on the part of that most witty of divines, but was literally a statement of things as they were—less than seventy years ago !

Trade shackled, hampered, injured, had unsuccessfully struggled against manifold obstacles. And it appears—for the imperfect records of these earlier days do not permit of accurate estimate†—that, while in 1814, the total foreign trade of the country amounted to about ninety-seven millions, that sum had, by 1822, dwindled to seventy-seven millions, a clear proof that something was radically wrong.

Prohibition and excessive duties had borne their natural fruit, had injured legitimate trade, and fostered that which was illegitimate. Smugglers drove a roaring trade, illicit profits were enormous. Nay more ; everyone sympathised with “ Smuggler Bill,” and hoped he would escape from “ Exciseman Gill.” “ I like a smuggler ; ” wrote Lamb, “ he is the only honest thief. He robs nothing but the revenue—an abstraction I never greatly cared about.” ‡ Smuggled articles were openly worn ; smuggled goods were openly consumed. || Silk and spirits were the mainstay of the smuggler ; and, to meet the evil, the prohibitive duties on silk were changed by Huskisson into a duty of 30 per cent. on the value, while the duties on spirits were enormously reduced.

The first experiment was made with the Scotch and Irish spirit

* *Works*, i. 372.

† See *I.* 143, n.

‡ “ *The Old Margate Hoy*,” written in 1833

|| See *I.* 47, 200, 249, n.

duties; and in 1823 they were diminished by considerably over one-half, while the distillers were freed from many trammels on their trade. So successful did the reduction prove—the amount of duty-paying spirits being at once doubled—that the policy of reduction was extended to British spirits, and with equally satisfactory results.* The change made in the silk duties, on the other hand, was not nearly thorough enough to be satisfactory. The duty of 30 per cent. still left the smuggler a good margin of profit; and, though the reduction of the duty in 1846 to 15 per cent. checked the smuggling, the illicit trade continued until the final repeal of the duty in 1860.†

Nevertheless, the upshot of the reforms and reductions initiated by Huskisson, and continued, as they were, by his successors, was gradually, by reducing illicit profits, and by enabling the consumer to satisfy his wants at a more reasonable rate, to take away the occupation of the smuggler, and to bring the “exciseman” within the pale of humanity.‡

Nor was reduction confined to spirits and silk. All the protective, in some cases prohibitive, import duties on foreign manufactures, varying between 40 and 180 per cent., or even more, of the value, were reduced to 30, 15, and even 10 per cent. Certain cotton and glass manufactures were admitted at the lowest rate; certain woollen and earthenware goods at 15 per cent.; wrought iron and steel at 20, some descriptions of linen at 25, others at 40 per cent.; silks, at 30 per cent.

The British manufacturer, while stimulated by the introduction of limited foreign competition, was to be placed in a better position to meet it, by a considerable reduction in the import duties on the raw materials of manufacture. The duties on flax, hemp, and other articles were greatly reduced, and that on raw silk from 5s. 7½d., first to 3d. and then to 1d. per lb. The import

* See *I.* 247–252.

† See *I.* 193–200. McCulloch, *Com. Dict.*, “Silk,” estimates that the smuggler could cover his risks by a charge of from twelve to fifteen per cent. on the value. He points out that the high duty of thirty per cent., instead of excluding, acted as a bounty on the clandestine importation of foreign silks. See Porter’s evidence before the Import Committee of 1840 (*P. P.* 601 of 1840, p. 188).

‡ See Dr. Johnson’s well-known definition: “Excise—a hateful tax, levied upon commodities, and adjudged, not by the common judges of property, but by wretches hired by those to whom excise is paid.” Johnson’s *Dictionary*, ed. 1755. Many of the articles now under the supervision of the Customs department were formerly under that of the Excise, for the greater security of levy.

duty on foreign wool, imposed in 1802, enormously raised by Vansittart in the "black year," 1819, was reduced to 1*d.* a pound. At the same time, in lieu of the prohibition on the export of home-grown wools that had been in existence for 180 years, a low export duty was imposed. Both import and export duty were later abolished by Peel. The remaining duty on salt (of 15*s.* a bushel), which had been gradually diminishing, was further reduced to 2*s.*, and then repealed; that on leather was reduced by one-half, and finally repealed by Goulburn in 1830. The excise duties on stone, and on printed silks, were repealed. But Huskisson, as did Peel after him, devoted his attention more to the Customs than to the Excise; and, as did Peel in his earlier budgets, preferred reduction to abolition.

✓ The system of bounties, instituted for the encouragement of particular trades, was gradually brought to an end. Those given on the exportation of silk stuffs were immediately, and those on linen ultimately, abolished. Those given as an encouragement to the prosecution of the herring and whale fishery—bounties which, as Adam Smith said, caused "vessels to be fitted out for the sole purpose of catching, not the fish, but the bounty"—practically disappeared.*

The duties on rum, coal, wine, tobacco,† coffee, and other articles of consumption were lowered. The window tax and the house duty, at a cost of a million and a quarter, were reduced by one-half, and their burden in other ways lightened.

The "establishment" duties were reduced by a moiety, and those affecting Ireland altogether repealed.

Jealousy of the commercial progress of other nations had been so great, that up to 1825 it had been a high crime and misdemeanour for any artisan to transfer himself and his knowledge to a foreign country, and the export of machinery had been totally

* Adam Smith estimated that, about the year 1780, every barrel of cured herrings consumed in England, the value of which was only some 21*s.*, cost the Government 23*s.* 10*d.* (p. 231). The bounty was in the form of so much a ton for the vessel, and so much a barrel of herrings. Though now very greatly reduced, it was not finally abolished until 1830. See the interesting reports of the Commissioners for 1821 and 1822 (*P. P.* 25 of 1821, and 425 and 574 of 1823) for the mode in which the bounty operated, for the number of fish caught and the bounty paid.

† Through an error in drafting in 1825, the tobacco duty was reduced by 1*s.*, or one-fourth of its amount. This involuntary reduction proved so satisfactory, that the duty was not again raised.

prohibited. The former barbarous enactment was now repealed, together with the prohibition on the export of the more common articles of machinery; and the remaining prohibitions disappeared in 1843.

The "Union Duties," which still existed between England and Ireland, to the great obstruction of trade, were abolished. The excise licence laws were consolidated. The multitudinous Customs Acts were repealed, simplified, and consolidated—a very great undertaking.* The system of collection was simplified. The three separate Customs Boards, as well as the three separate Boards of Excise, for England, Scotland, and Ireland, were respectively consolidated into one Board for the whole of the Customs, and one for the whole of the Excise.

The system of joint custom and excise supervision and collection applied to many imported articles of general consumption—originally adopted by Walpole as the best security against smuggling, and further extended by his successors†—was brought to an end, and the duties on all articles of import (wines, spirits, tobacco, glass, coffee, pepper, &c.)‡, wholly or in part collected by the Excise Department, were re-transferred to the Customs Department.

In 1822, and again in 1825, something was done to relax the restrictive commercial laws under which the trade with the Colonies was carried on. The "Plantations" were originally encouraged as valuable marts for British wares, "for the sole purpose," as

* Tooke said that the consolidation introduced into the "Custom House Code" a degree of simplicity hardly credible to those who had witnessed the infinite oppression and complexities of former periods (v. 444). See *I.* 129–132.

† Walpole, who had already successfully made tea and coffee subject to excise duties and supervision, desired, in 1733, further to extend the system to wine and tobacco. But the very name "excise" was still odious to Englishmen; great popular excitement arose in opposition to the scheme, and Walpole, declaring that "he would never be the Minister to enforce taxes at the expense of blood," withdrew the obnoxious proposals. Pitt later substantially carried out, and with but little opposition, Walpole's scheme. See, for Walpole's "Excise," Mahon's *History of England*, ii., chap. xvi.; Coxe's *Walpole*, i. 372; iii. 129, &c.; McCarthy's *Four Georges*, i., chap. xx.; Dowell, ii. 97–100; iv. 167, 243, &c.; Lecky, i., chap. iii.; Porter, p. 469; *Ency. Brit.*, &c. It is told of Walpole in connection with the debate, that "on March 1st, 1733, Walpole's excise scheme was brought forward. An opponent of the measure asserted that its object was to revive the worst practices of Empson and Dudley. The Prime Minister was so grossly ignorant of history that he had to ask his neighbour 'who Empson and Dudley were?'" (*Anecdotal History of Parliament*, p. 102.)

‡ See Report of Commission of 1824, *P. P.* 141 of 1824. Tea alone was excepted, and was not re-transferred from the Excise to the Customs Department until 1834.

Adam Smith put it, "of raising up a people of customers." In very early days, their commerce, then comparatively unimportant, had been more or less free. But, by the middle of the seventeenth century, the "monopoly system" was founded, and the whole of the trade of the Colonies was strictly confined to England, and could not be carried on except in British ships; while those Colonial manufactures thought likely to compete with home industries, were forbidden or discouraged.* Under Huskisson the Colonies were allowed to trade directly with any part of Europe, and to import or to export goods so long as they were in British ships, or in ships of the country to which the goods were sent or from which they were received. The trade between the Mother Country and the Colonies was, however, still to be confined strictly to "British ships," and the customs tariff of the Colonies was still framed with a view of favouring the home trader. The duties on certain Colonial products were reduced: Canadian corn was admitted at a fixed duty irrespective of price. Thus, as Huskisson said,† would best be "perpetuated, a solid and useful connection" between the Mother Country and the Colonies. A further considerable reform was effected in the Colonial tariffs by Labouchere in 1841,‡ when the prohibitions on the import of certain foreign goods into the Colonies were abolished, and the general duties reduced to moderate dimensions. With self-government came complete fiscal freedom—a liberty which has, alas! in every case but one, been devoted to protective purposes.

But if the Colonies had suffered under the old commercial system, England had suffered too. For while excluding the Colonies from foreign markets, she in return gave them a practical monopoly of the English market for their produce, by imposing, at the cost of the British consumer and tax-payer,|| enormous differential duties in favour of the Colonial against the foreign importer. And the worst of it was that, while the Colonies little by little obtained freedom of commerce, England had become so

* See note, *I.* 132, "hats." A specimen of many other "Colonial" acts.

† See Huskisson's great speech on Colonial policy, March 21, 1825 (*Speeches*, ii. p. 304), and, as an exposition of his general financial policy, his weighty speech on the "Commercial Policy of the Country" of March 25 (ii. p. 327).

‡ See Levi, *History of Commerce*, part iii, chaps. ii. and x.

|| See note, *I.* 46.

entangled in the network of differential duties, that, though gradually reduced, the burden of the one-sided monopoly of the English market for the Colonial producer, was for another thirty years maintained with considerable rigour; and it was not indeed until 1860 that the last remaining differentially prohibitive duties—on such articles as wine, spirits, timber, butter, cheese and a few other things—were abolished.

And, while dealing with the Colonial question, the restrictive Navigation Laws (under certain provisions of which special duties were charged, and lesser bounties and drawbacks given on goods imported into or exported from England in ships other than British ships) were amended, first by Wallace in 1822 and then by Huskisson in 1825, and placed on a reciprocity basis. In 1815, a reciprocity treaty had been negotiated with the United States. Its provisions were now extended to other foreign nations, and Commercial Treaties were negotiated with France, Prussia, Denmark, and many other countries. Yet the most obnoxious provisions, and those which did most to hamper trade, were not repealed until some five-and-twenty years later.*

While the duties on very many articles were reduced, that on the “noblest grain” † was still fully maintained. Yet, as in the case of Peel, so in the case of Huskisson, the fiscal reforms initiated by him logically and ultimately led to an amendment of the ‘sacred’ Corn Laws also, and to the substitution of a real sliding scale for the prohibitive duties then in force.‡

The natural revival of trade consequent on all these fiscal and financial reforms, from 1822 to 1826, was coincident with much financial and constructive activity. Bridges, canals, and docks were built; incipient railway companies were formed; banks, gas corporations and joint stock companies of all sorts were everywhere established. But this activity, though founded on a real basis of increased prosperity, too soon turned into feverishness, and into a vast and ill-directed speculation in all branches of trade—especially in foreign mines and loans. Undue inflation ended in the inevitable collapse, with destruction of credit and

* See I. 97, for history of the Navigation Laws.

† Burke, *Thoughts on Scarcity*.

‡ See Chap. IV., for history of the Corn Laws.

depreciation of property.* The fiscal reforms had not been sufficiently thorough, and trade, which had been showing signs of revival, was again prostrated by the crisis of 1826, and did not, for some years, renew its former vitality.†

* In addition to the speculation in banks (of which 77 subsequently stopped payment), and in other joint stock companies, there was a mania for investment of capital in South American loans, and in North and South American mines. Between 1821—5 nearly fifty millions sterling were thus lent, chiefly to insolvent States, while millions were invested in mines, the shares of many of which rose at one time ten or twenty-fold. See Levi, p. 178 ; Francis, *History of Bank of England*, i. 351, &c. The midsummer madness of the time is well described by Miss Martineau. "It is positively declared," she says, "that warming-pans from Birmingham were among the articles exposed (at Rio Janeiro) under the burning sun of that sky ; and that skates from Sheffield were offered for sale to a people who had never heard of ice." (*History*, ed. 1849, i. 357.) Among the bubble companies started in 1720 (at the time of the previous mania, a hundred years before), and looked upon directly afterwards as absurd and on a par with the company for "making of oil from sunflower seeds," "for importing a number of jackasses from Spain," or "for a wheel for a perpetual motion," was one "for making of iron with pit-coal." See Mahon's *History*, ii. 17.

Greville says of the panic of 1826 : "The state of the city, and the terror of all the bankers and merchants, as well as of all owners of property, is not to be conceived but by those who witnessed it." (1st S., i. 77.)

† The revenue in 1822 amounted to 58 $\frac{3}{4}$ millions, in 1826 to just over 54 $\frac{1}{2}$; in the interval, on balance, 10 $\frac{3}{4}$ millions of taxation were remitted, a recovery of revenue of over seven millions. See Porter, p. 493.

CHAPTER II.

THE WHIGS.

1827—1841.

LIVERPOOL, who for ten years had been the chief of a Government of repression and retrogression, had, adapting himself to circumstances, for five years presided with equal placidity over its antithesis.* Of this Government he had acted as the "cement" † which kept together the incongruous materials of the anti-Catholic and the more liberal Tories; and, with his death, in 1827, the two sections fell apart.

Then came Canning's hundred days. Canning the brilliant, witty, eloquent, if somewhat erratic, statesman; the "adventurer," the actress' son; who, in spite of every obstacle, by the force of his own genius, rose to the proudest position an Englishman can hold. A diplomatist "who never took his tea without a stratagem," but who made the watchword "England and Liberty" ring throughout the world.

Canning was succeeded by "Goody Goderich,"—who, as "Prosperity Robinson," had done some valuable service. But Goderich, embarrassed alike by his failure to keep the peace between Herries and Huskisson, in their contention over the chairmanship of a Finance Committee, and by the victory of Navarino, resigned his commission before the meeting of Parliament, and retired from the Royal Presence mopping away his futile tears with the Royal pocket-handkerchief.‡ His place

* Between 1812 and 1822, and between 1822 and 1827.

† Hill's *Canning*. Liverpool, if we may judge from his *Life* and from many of his speeches, held somewhat liberal views on the question of the Corn Laws and fiscal reform, even before he found himself associated with sympathetic colleagues; and he gave Huskisson and Robinson every support in their work. See Yonge's *Life of Liverpool*, especially vol. iii.

‡ The name "Prosperity Robinson" was given him by Cobbett. See Sir H.

was taken in 1828 by the anti-Catholic Tories, under the Duke of Wellington and Sir R. Peel. Huskisson—Canning's right-hand man—took office with the Tories, to his own discomfort and to the injury of his political reputation. But the Duke soon managed to rid himself of a colleague whom he had always disliked, and with Huskisson went the other Canningites.*

Between the death of Liverpool in 1827, and the accession of the Whigs in 1830, little was done to carry on the policy initiated in 1823. The Wellington Government—with Goulburn as Chancellor of the Exchequer—took, indeed, one excellent step in their repeal of the tax on leather, the first to disappear of those pernicious excise duties on articles of home manufacture, that had been so lavishly imposed about the beginning of the eighteenth century; † and they had the sense finally to abolish the old fallacious sinking fund. They reduced still further the duty on sugar and on certain silk manufactures. They made, however, one serious mistake in the repeal of the beer duty in 1830.‡ The incidence of this tax was unquestionably unfair, and pressed much more heavily on the poorer classes than on the richer; for, inasmuch as the latter usually brewed at home, they were able practically altogether to evade it. These were good reasons for the commutation of the tax into another form, and for improvement in levy, but not for repeal. The absolute repeal involved the relinquishment of some three millions of taxation, which, instead of merely going to cheapen beer and to encourage drunkenness, might well have been applied to the promotion of fiscal reforms.

Lytton Bulwer's *Historical Characters* (p. 354). Lord Goderich appeared once more in history. In 1815, as Mr. Robinson, he had, when President of the Board of Trade, submitted the Corn Laws of that year to the House. In 1846, as Lord Ripon, he, when again President of the Board of Trade, had charge of the Corn Law Repeal Bill in the House of Lords.

* Palmerston (Bulwer's *Life*, i. 278) estimated that the Canningites in 1828 consisted of only 11 peers and 27 commoners, but nearly all men of weight. Lord Dudley said of Canning's party, in 1813, that they "dined fourteen and voted twelve."

† The tax on leather was imposed in 1710. It was distinctly a tax on a "necessary," and on an article that entered into many processes of manufacture. In 1815 the duty was at the rate of 3*d.* a pound on common leather, and produced about £700,000. Reduced by one-half in 1822, it was now producing some £360,000 a year.

‡ See II. 276.

But if the government could not boast of doing much for fiscal reform, at least they deserved credit for economy. Economy was indeed still the rule, and the years between 1825 and 1840 were the halcyon days of economy in finance—a period to which Mr. Gladstone has more than once adverted in fond reminiscence, to point a moral against more modern extravagance, as the time when Tory and Whig alike strove, and strove successfully, to reduce the public expenditure, and to maintain a balance on the right side.

In 1830, the distress in the country, the late report of the Finance Committee of 1828, and the pressure of public opinion, induced the Tory government to make still further efforts to reduce the expenditure, and, in that year alone, they economised to the extent of over a million. So successful indeed were their efforts, that the Whig Government, who had come into office as the party of Retrenchment as well as of Reform (and their election cry had been more for retrenchment and reduction of taxation than for reform) were not in a position to effect an immediate reduction of more than another million—to their own vexation, and to the bitter disappointment of their supporters.*

But nevertheless, during their first few years of office, the Whig Government continued to practise economy, and, by 1835, the total expenditure of the country (exclusive of the “slave loan”) was reduced to under 48½ millions, the lowest point it had touched since 1796. Thus the annual expenditure, which amounted to

* “We have reaped the harvest of reduction,” said a member of the Wellington Government, “and left only the gleanings to our successors.”—*Le Marchant's Memoirs of Earl Spencer*, ii. 460.

The ostensible cause of the resignation of the Wellington Ministry was a defeat (233 to 204) on a motion moved by Sir H. Parnell, and supported by the whole strength of the Opposition, to inquire into the Civil List, with a view to reduction: the question having arisen on the accession of William IV. A committee was appointed, on whose recommendation the Civil List was nominally reduced from about a million to £510,000 a year.

The Civil List was in future to include only those expenses which affected “the dignity and state of the Crown and the comfort of their Majesties,” the other items formerly included—for justice, diplomatic services, Treasury salaries, and miscellaneous—being charged separately on the Consolidated Fund, and being thus brought under the cognizance of Parliament. But—much as in the case of Burke’s “Economic Reform”—while the change in the system of accounts was satisfactory, a prospective saving in “pensions” was practically the only economy effected.

There was much truth in Croker’s criticism that the only difference was that the new Government “of our ten classes call the first five Civil List, and the other five Consolidated Fund.” *Correspondence*, i. 106. See also *Life of Sir J. Graham*, i. 310; *Walpole's History of England*, ii. 631, &c.; *Memoirs of Earl Spencer*, p. 270, &c.

58 $\frac{3}{4}$ millions in 1817, was reduced to 55 $\frac{1}{2}$ by 1824, and in the next ten years was still further reduced to 48 $\frac{1}{2}$ millions, a reduction which was, however, partly due to the diminishing charge for the debt, both through redemption of capital, and by diminution in the average rate of interest.* From thence forward there was a slow though steady increase in the expenditure, until the time of the Crimean War, when it stood (in gross) at between 55 and 56 millions. War at once multiplied expenditure all round, and when peace again came, it was found impossible to return to anything approaching the old scale.

In the autumn of 1830, the Wellington Government, while revolution raged abroad, and reform was loudly demanded at home, had, by the mouth of the Prime Minister, declared that the existing system of representation was as perfect as the wit of man could devise.† The Tories were already offended by the concession of the Roman Catholic claims, the Canningites by the dismissal of Huskisson; and this gratuitous declaration making all coalition with the Whigs impossible, the Government were speedily defeated on a side issue, and forced to resign. The Whig party, to whom "office" meant but the memory of a short lived dream, who but three years before were thought to be "united," only because comprised in the person of the "stiff and stately" Grey, "the solitary and powerless relic of an extinct party," now, much to their own surprise, found themselves in office,‡ a powerful party, and before long to be backed by an overwhelming majority.

The Whig reign, extending over eleven years, divides itself into

* The total outstanding funded and unfunded debt in 1817 amounted to 840 millions, in 1824 it was 820 millions, and by 1835 it was reduced to 790 millions, against which, however, the terminable annuities had risen from two millions to four (see II. 203). In 1822, 153 millions of 5 per cent. stock had been converted into 4 per cent. Two years later, half that sum of 4 per cents. were converted into 3 $\frac{1}{2}$ per cent. stock; and in 1830 another 153 millions of 4 per cents. were converted into 3 $\frac{1}{2}$ per cent. (see I. 126). The debt charge (exclusive always of the sinking fund) which in 1817 had amounted to 31 $\frac{1}{2}$ millions, had by 1824 fallen to 30 $\frac{1}{4}$, and in 1835 was but 28 $\frac{1}{2}$ millions. (*P. P.* 443 of 1858, and 366 I. of 1869.)

† This declaration of the Duke's, combined with the postponement of the King's visit to the Guildhall, caused a sudden fall in the Funds from 84 to 77 $\frac{1}{2}$, a fall which was, however, soon recovered. This is probably the only speech of a Minister, on a purely domestic subject, which has ever seriously affected the price of the public securities.

‡ In the "Reform Cabinet" of 1830 there were four Canningites (Melbourne, Palmerston, Goderich, and Grant).

two parts. The earlier and glorious portion, the period of practical activity, from their accession to office in 1830 until the autumn of 1834, when they were turned out "neck and crop" by the King; and the later and inglorious portion, dating from their return to office in 1835 until their final fall in 1841, a period of stagnation, humiliation, and incompetence.

The earlier period was one of zeal for social and political reforms, of bounding hopes and high aspirations. Parliamentary Reform (leading later to the almost equally important Municipal Reform), Reform of the Poor Law,* Irish Church Reform (accompanied of course by a Coercion Act), were carried through. The Factory Acts were improved and extended.† National education was for the first time recognised and encouraged by the State.‡ The ferocious criminal law was mitigated.¶ Lastly, the final abolition

* The old Poor Law system was a vicious one—a system of out-door relief to able-bodied men, doles from the rates in aid of wages, children, legitimate or otherwise, forming the standard of income. Self-respect and self-denial were at a discount. Corruption and maladministration pervaded the social system. The new Poor Law abolished out-door relief for able-bodied men, mitigated the law of "settlement," consolidated parishes, re-organised the system of rating, and created a Government department armed with a general authority of re-arrangement, supervision, and correction. The poor rate, which in 1750 was but £730,000 a year (in England and Wales), had risen to over six millions in 1814, and to seven millions in 1832; and was now within ten years reduced to five, in spite of an increase in population of some two millions. Much immediate hardship, no doubt, resulted from the drastic change that was made, and from the severity with which the new law was put into force. But gradually the new Poor Law outlived its unpopularity, and though by no means perfect, proved itself to be on the whole satisfactory.

† The first Factory Acts were passed in 1802 and 1819, owing to the exertions of the first Sir Robert Peel. By them, no child under 9 was to be allowed to work in a cotton factory, and no young person under 16 to work more than twelve hours a day, exclusive of meals. In 1833 the Government, after defeating Lord Ashley's Bill, passed one of their own (not, however, to come into full operation till 1836), by which it was provided that no child under 13 should be allowed to be employed (in any except a silk-mill) more than nine hours a day, and by which was "established, for the first time, the great principle that labour and education should be combined." Hodder, *Life of Lord Shaftesbury*, i. 141, 142, 166. These acts were from time to time still further extended. See Bevan, *The Industrial Classes*.

‡ In 1832, a pittance of £20,000 a year was voted for public education. In 1839, the fund was increased to £30,000, and the Committee of Council was formed. In 1862 came the "Revised Code," and in 1870 the "Education Act." By 1886, the amount voted was four and three-quarter millions a year.

¶ In 1808, capital punishment had been abolished for picking pockets to the value of 5s.; and in 1811, further exemptions had been made. But little more was done until 1820, when a further great advance took place. Between 1832-35, capital punishment was abolished for horse, sheep, and cattle stealing, for larceny in dwelling-houses, for forgery—except in the case of wills, for housebreaking, for returning from transportation, for sacrilege and letter stealing! Capital punishment was practically abolished, for every crime save treason and murder, in 1837, though not finally by law until 1861. In 1820, 1,236 persons were sentenced to death, of whom 107 were executed, and of this number only ten were executed for murder and the other 97 for lesser crimes, chiefly for horse and sheep stealing. In 1835,

of slavery was carried to completion.* Such were the measures by carrying which the Grey ministry served their country.

In financial policy they were less successful than in domestic matters. Lord Althorp, though trusted by men of all parties for his straightforward and transparent honesty, in a way that seldom falls to the lot of a party leader, was—as no one allowed more freely than himself—not much of a financier.† Brought up in the school of economy and fiscal reform, an avowed follower of Parnell, the great financial authority of the day,‡ assisted at the Board of Trade by another notable financier, Poulett Thomson, he attempted considerable things, but accomplished, considering the power at his back, woefully little.

Althorp began too ambitiously, and in his first attempt at finance in 1831 produced a Budget,|| which, though in many ways

931 persons were condemned to death, of whom 33 were executed, and only six of these were murderers. 1837 was the first year in which the executions, eight in all (there were 438 capital convictions), were solely for murder. See Porter, Sec. vii., Chap. ii. Walpole, iii. 55; Lord Russell's *English Gov. and Constitution*, p. 247.

* The total amount paid as compensation to the slave owners—the “West Indian interest”—was twenty millions sterling. The number of slaves freed was about 750,000. The average rate of compensation paid varied between £12 14s. 4d. a head in the Bahamas, and £53 6s. 9d. a head in Honduras. The total compensation amounted to about 45 per cent. of the former sale value of the slaves; but, on the other hand, the planters were now relieved of the liability to provide for them during sickness, infirmity, or old age. See Porter, p. 805, &c.

† “Jack,” wrote his fond mother at the time of his appointment—and herein the maternal verdict differed, as it is apt to do, from that of general observers—“was always skilful at figures, and his work is so much to his taste, that I am sure he will do himself credit.” (*Memoirs*, p. 272.)

Althorp's own opinion of his financial ability was very different (p. 268, &c.). It may be noted that out of the 570 pages in his “Life,” only about 20 are devoted to his labours as Chancellor of the Exchequer, though that office was one of the most important he ever undertook.

‡ Sir Henry Parnell, in the early part of 1830, published his treatise on *Financial Reform*, which had a considerable influence on public opinion. He advocated the repeal of the taxes on raw materials, as well as the excise duties on home manufactures, and the reduction of the import duties on foreign manufactures. He strongly opposed the whole system of protection, whether of corn or of any other commodity. He desired the reduction of taxes which, otherwise commendable, were excessive in amount, namely, the duties on such “luxuries” as tea, sugar, and dried fruits, as well as on tobacco, wine, and spirits. He was strongly in favour of retrenchment, especially in the naval and military services. But realizing that no practicable economy could reduce the expenditure sufficiently to allow of his proposed abolitions and reductions of taxation, he did not shrink from advocating the re-imposition of an income tax at the rate of 1½ to 2 per cent. (from 3½d. to 5d. in the £). In short, he laid before the country the financial and fiscal policy that Peel and Gladstone afterwards carried through. See *Financial Reform*, 1st ed., 1830; 4th ed., 1832. It was on his motion for the appointment of a committee to enquire into the Civil List, that the Government of the Duke was beaten. Sir H. Parnell afterwards became Lord Congleton.

|| *H.*, Feb. 11th and March 18, 1831.

most commendable, was too comprehensive and advanced to be acceptable. The aim of the Budget was threefold. First, to reduce certain duties—those on tobacco, newspapers, and newspaper advertisements—which “by narrowing the consumption contract the revenue.” Secondly, to repeal certain duties—such as those on sea-borne coals and slates—which pressed more heavily on one class of the community than on others. Thirdly, to repeal certain duties—those on candles, glass, printed calicoes and cottons—which “besides interfering with commerce took more out of the pockets of the people than was furnished to the revenue.”*

These remissions and reductions, after allowing for recovery of revenue, would cost rather over three millions. The deficit was to be filled up by various fiscal changes. The differential duty in favour of colonial timber was to be reduced by lowering that on foreign, and raising that on colonial woods;† the duty on wine, differential in favour of Peninsular as against French wines, was to be equalised‡—both excellent proposals, and both to the benefit of the revenue. At the same time—and this was the blot on the Budget—an additional duty was to be imposed on the import of foreign raw cotton, as well as on the export of coal. In order to provide the balance of revenue required, together with a surplus of some half million, a direct tax of a half per cent. was to be imposed on the transfer of landed and funded property, to produce a million and a quarter.

The Budget was vehemently opposed, especially the last proposal, which Peel denounced as “not a question of policy or prudence, but a question of morality,” on the ground that by an express provision in all the Loans Acts, funded property was especially exempted from any tax whatever. The old income tax had been extended to fundholders, because it was imposed on all

* So wasteful was the system of excise taxation on “printed goods,” that while the gross amount of taxation levied from “this most impolitic impost,” was about two millions, no less than two-thirds of this sum was repaid in the form of reductions or drawbacks on export, the net receipt by the Exchequer being only half a million, and this sum cost £200,000 to collect. The duty was also grossly partial, representing a burden of 100 to 150 per cent. on the inferior and only 10 to 15 per cent. on the finer kinds of cotton goods. See Poulett Thomson’s (Lord Sydenham) great speech on the revision of taxes, *H.*, March 25. 1830; Althorp’s Budget Speech, *H.*, Feb. 11, 1831; Report of Finance Committee, 1818; Dowell, ii. 281, and Porter, p. 205, &c., &c.

† See *I.* 96, 343.

‡ *I.* 232–235.

possessors of property alike, while this proposal would chiefly affect the holders of Government Stock.

The transfer tax was dropped, together with the proposed remissions on glass and tobacco. The proposal in regard to timber was first modified, and finally defeated. Some portions of the Budget, however, remained; and Althorp succeeded in carrying his proposals for the repeal of the excise duties on candles,* printed calicoes and cottons, on sea-borne coal and slate, and in equalising the duty on wine. He was also—and here unfortunately—successful in imposing his additional duty on raw cotton, an extra impost that he himself repealed a couple of years later.

If the “amateur grazier” who presided at the Exchequer had thus, in his first Budget, shown a lack of appreciation of public opinion; on the other hand, in 1834, he somewhat feebly yielded to public clamour, and hardly showed that “calm if clumsy” courage for which Jeffrey once gave him credit. He had a surplus, and with it he wished to repeal the window duty—one of the worst of taxes—but, in deference to popular clamour, he changed his policy and gave up instead the house tax—one of the best of taxes—though not so fairly assessed in those days as now.

In addition to the taxes already mentioned, Althorp was able to repeal the excise duties on starch, on tiles, on stone bottles, on the export of coal in British ships, or in ships of countries under reciprocity treaties, while reducing that on “coals otherwise exported,” a tax subsequently abolished by Peel. The customs duties on currants and raisins, cocoa, oil, and marine insurance, were considerably reduced; half the excise duty on soap was remitted, and the stamp duty on advertisements was reduced from 3*s.* 6*d.* to 1*s.* 6*d.* The tax on the raw material hemp was lowered from 4*s.* 8*d.* to a penny the cwt. A passenger duty on railways was imposed, and the existing taxes on locomotion were simplified, some being reduced and others increased. The Bank Charter was renewed, and the Government debt to the bank diminished by one-fourth. The interest on a small amount of 4 per cent. stocks was reduced to 3½ per cent.

* The tax on candles, imposed in 1709, was the first of the many excise duties imposed during the eighteenth century on articles of home manufacture. (See *I.* 266.) This tax, in spite of the animadversions of Adam Smith, and all other politico-fiscal economists, had remained in existence for nearly a century and a half. Its repeal entailed a sacrifice of nearly half a million of revenue.

Further, one matter vitally affecting trade was carried through. The commercial career of the East India Company, covering a period of two centuries and a quarter, was brought to an end. The East India Company had been incorporated in 1600, and had been granted the exclusive privilege of trading in all those parts of the world that lay between the Cape of Good Hope and eastward to the Straits of Magellan.*

From commerce the Company had turned to conquest, a trading concern became the ruler of a vast empire; and, by 1783, so great had the power of the Company grown, that it had become necessary legislatively to recognise and to define it. Fox's India Bill and Pitt's India Bills, the King's intrigues and the King's victories, which fill so large a space in the history of the last quarter of the eighteenth century, do not concern us here. The conclusion of the whole matter had been that a "Board of Control," with its Ministerial representative, had been invested with the supreme power over the civil and military administration of the Company. In 1793 the Charter, already more than once renewed, was again renewed for twenty years, the commercial monopoly of the Company being practically left untouched.

In 1813, the Charter had again required renewal, and so obvious had become the injury to trade caused by the monopoly, that when the Government proposed to renew the Charter and the existing rights for another twenty years, the House, while accepting the term and the monopoly in regard to China had rejected that part of the Bill which related to India, and had thrown open the trade to all British subjects. In 1833, the Charter again lapsed, and the Government, backed by public opinion, decided that while the Company should retain its territorial possessions for another twenty years, it should at once and for ever cease to be a trading company. Its political powers, temporarily renewed with some modifications in 1853, were finally swept away when, after the Mutiny, the possessions of the East India Company were definitely transferred to the Home Government.†

* "The Company may for fifteen years freely and solely trade by such ways and passages as are already found out, or which shall hereafter be discovered, into the Countries and Parts of Asia and Africa, and into and from all the Islands, Ports, Towns, and Places of Asia, Africa, and America, or any of them beyond the Cape of Bona Esperanza to the Straights of Magellan." Charter, East India Company, Dec. 31, 1660. *Collection of Charters*, 1817.

† See *I.* 164.

The China monopoly, combined with the ludicrously heavy duties, had greatly restricted the tea trade, unduly kept up the price, and much encouraged smuggling.* And, in 1833, Althorp took advantage of the cessation of the China monopoly to alter the duty, and to transfer its collection from the excise to the customs. The duties imposed still remained, however, far too heavy, and the system introduced of a discriminating duty did not prove satisfactory; hence, in 1836, they were changed into an uniform duty of 2s. 1d. a pound on all sorts of tea.†

of Peel Poulett Thomson, during his term of office at the Board of Trade—before he went to Canada, in 1839—did a good deal to simplify and liberalise the tariff. Lastly, the Exchequer itself was thoroughly overhauled and reformed, and the system of keeping the public accounts greatly improved.‡

Previously to 1834, the Inland Revenue had been under the management of three separate Boards of Commissioners, those of "Excise," "Stamps," and "Taxes." In that year the Boards of Stamps and Taxes were amalgamated, at a considerable saving of working expenses; and in 1848, the two Boards remaining, of Excise and of Stamps and Taxes, were also amalgamated, and the "Board of Inland Revenue" created.

The total reductions of taxation between 1830 and 1834 were considerable; and, if the financial proceedings of the Government were neither brilliant nor methodical, at least expenditure was reduced and surpluses maintained, while the creditable conduct of the Ministry in legislative matters gave to their proceedings a general character of efficiency.

In the summer of 1834, Grey resigned. He was an old man. His work was done. He never cared for place, and the constant bickering and disloyalty of his colleagues did not tend to make it more attractive. Lord Melbourne succeeded him with the same Ministry as before—a Government which a few months previously had lost the services of Stanley and Graham. To both these statesmen Peel offered office a few months later; and though

* The duty-paying imports of tea into England in 1800 were some twenty-four millions of pounds, which, by 1830, had only risen to about thirty millions.

† See *I.* 306.

‡ Between 1826–41 some 230 articles were removed from the Customs list and many duties lowered; while forms were simplified, and red-tape curtailed. See Report Comm. Customs, 1857, p. 21; Scrope's *Life of Lord Sydenham*, p. 66; Porter, p. 358, &c.

they then refused it, they gradually gravitated towards him, and ultimately joined him in 1841—Stanley to leave him on the question of the Corn Laws, Graham to become and to remain the leading “Peelite.”

In the autumn of 1834, Althorp, by the death of his father Lord Spencer, was called to the Upper House. Melbourne fully intended to carry on the Government as before, with Lord John Russell as Leader in the Commons. But the King, who disliked the Whigs, thought otherwise, and exercising, for the last time in English history, his constitutional right, himself dismissed the Ministry, on the ground that the transference of one of their number from the Lower to the Upper House had so weakened the Government that they were incapable of continuing to hold the reins of power. Melbourne, though he had at his back an enormous majority, not wishing to continue the disagreeable task of “carrying on the King’s Government with the King in opposition,” accepted his dismissal, and, good-naturedly playing the part of “mute at his own funeral,” took away in his pocket the King’s commands for the Duke.*

The four months’ Premiership of Peel greatly altered the political situation. Peel himself enormously increased his reputation by the admirable and courageous way in which he carried on the business of the country, and he placed his party in a position to take advantage of the waning popularity of his opponents. The Whigs, on their part, though still in a large majority, came back very considerably weakened from the polls.† The impetus their cause had derived from the King’s high-handed action was exhausted. When they again took office in 1835, some of the best men of the party stood aloof, with Grey and Spencer; or else, with Stanley and Graham, were actually in opposition, or playing the still more damaging part of candid friend. The Government themselves, as judged by a shrewd contemporary,

* See *Memoirs of Lord Melbourne*, ii. 41; *Memoirs of Earl Spencer*, p. 254; Croker, ii. 244; Hill’s *Canning*, pp. 101, &c.

† Parliament was dissolved by Peel in December, 1834. The Tories are estimated to have won no less than 120 seats, bringing the regular Opposition up to about 270. Acland & Ransome’s *English Political History*. In 1837 the numbers were thus estimated, Government 332—Whigs 152, Liberals 100, Radicals 80; Opposition 319—Tories 139, Ultra-Tories 100, Conservatives 80. *Courts and Cabinets of Will. IV. and Vict.* ii. 253.

was the "most second-rate one the country ever saw."* Melbourne and Russell neither carried the weight, nor did they receive the ungrudging support accorded to their predecessors, while the rest of the Cabinet were as mute as fishes; and when reinforced in 1839 by Clarendon and Macaulay, it was too late for the Government to retrieve their position.

The millenium seemed no nearer than before. The over extravagant expectations of pre-Reform days had been doomed to disappointment, and had produced their natural reaction.† The ultra-radicals frightened people with their wild notions of Ballot, extension of the Suffrage, and reform of the House of Lords! The moderate reformers met with but scant encouragement from a Government of which the Leader of the House of Commons was nicknamed "Finality John,"‡ and the Prime Minister only asked them "why can't you leave it alone?"

In fact, their policy was:—

"To promise, pause, prepare, postpone,
And end by letting things alone.
In short, to earn the people's pay,
By doing nothing every day."||

Anxious indeed to do good to Ireland, and to govern her according to Irish ideas, they allied themselves to the Irish Party, a proceeding which (in those days at least) was sufficient to discredit any Government with the country.** But the House of Lords threw out or emasculated their Irish Bills as regularly as they were presented,†† and Ireland, her hopes unfulfilled, again became a prey to Ribbon plots and Orange conspiracies.

* *Greville*, 2nd S. i. 178.

† As Guizot, in his *Memoir* of Peel, well says, "During the long years of opposition the Whigs had promised, or allowed people to hope, that they would undertake far more of reform and of progress than they could possibly accomplish; and, now they were in power, the people expected of them far more than they had promised."

‡ See Lord John Russell's speech of July 3, 1849, in which he denied ever having used the word "finality." The nickname was founded on a phrase of a speech of his of June 23, 1837, in which he spoke of the Reform Bill as a "final measure."

|| *Praed*, as quoted by Trevelyan in his *Life and Letters of Lord Macaulay*, ii. 60, 61.

** The "Lichfield House Compact"—a sort of "Kilmainham Treaty," a name without a deed—was continually cast in their teeth.

†† The aim of the House of Lords in 1835–41 was apparently to illustrate to the nation a sentiment of William III., that the "worst government was that which could not carry its own measures," and they were eminently successful in their object. See Lord Campbell's *Life*, ii. 85.

During all this time in financial matters the Melbourne Government had gone from bad to worse. In 1835, in their first year, they were indeed able to reduce and to equalise the tax on paper, and greatly to lighten the newspaper duty—both excellent measures, but a mere flash in the pan.

Their foreign and Colonial policy, with its disasters and uncertainties, soon involved increased expenditure; while the revenue, depleted by the enormous remissions of the immediately preceding years,* was insufficient for their wants. The introduction of the Penny Postage, in 1839—in itself a great reform, but which, being given without grace, was received without gratitude—still further injured the financial position by causing the immediate loss of a million of revenue.† Deficit followed deficit, each one greater than its predecessor. The agricultural interest, prosperous during the four fat years from 1832–5, was stationary during the two succeeding years, and suffered disastrous loss in the four lean years from 1838–41.‡ It was indeed the consequent distress which chiefly gave to Chartism§ such power as it possessed; and it was then also that the eyes of the people, and more slowly those of their “Leaders,” began to be opened to the evil results of the Corn Laws.

* Between 1830 and 1834, inclusive, between eight and nine millions of taxation were on balance remitted. Between 1815 and 1841, some £45,000,000 of duties were remitted, and £3,000,000 imposed, a net remission of thirty-seven millions. (Porter, pp. 493–4.)

† The financial result of the introduction of the “Penny Post” in 1839 was most disappointing. The gross revenue, which had only risen from £2,200,000 in 1815, to £2,383,000 in 1839, fell at once to £1,324,000 in 1840; while the expenditure, which from £500,000 in 1815, had risen to £741,000 in 1839, rose to £864,000 in 1840, and soon reached a million. Each subsequent year showed, however, a recovery of revenue; but it was not until 1851 that the gross revenue equalled that of 1839, and by this time the gross expenditure was nearly double that of twelve years before. Since 1853 the increase of revenue has been rapid and continuous, and the Post Office has been a source of very considerable profit. The gross expenditure in 1886 was £5,440,000 and the gross revenue £3,450,000. Hill himself believed that the loss caused by the reduction of the postage would almost immediately be made up by the increased number of letters. See *Life of Sir R. Hill*, by G. B. Hill, i. 347, 537, &c.

The cost of the Packet Service, it should be observed, was included in the Post Office Estimates up to 1837, when it was transferred to the Navy Estimates. In 1860 it was re-transferred to the Post Office, but appears as a separate item in the accounts. In 1837 the cost of the Packet Service amounted to about £350,000, in 1860 to £1,000,000. See *P. I. & E.*, ii. 667, 696. ‡ See Tooke, iii. 3–20.

§ The dreaded six points of the Charter were ballot, and abolition of property qualification for members; manhood suffrage and equal electoral districts; annual parliaments and payment of members. The anti-Corn Law League (the rival and foe of Chartism) was started in 1838.

Content at first to sit down under successive and increasing deficits, finally, for very shame, the Government were compelled to impose some taxation. But, resorting to the old exploded system of a general levy on the custom and excise duties,* together with a rise in the assessed taxes and an increased duty on spirits, their taxation was of such a form that the revenue could not respond. Indeed, they only succeeded in proving that, as Swift once said, in the arithmetic of the Customs two and two, instead of making four, often only make one—and they were landed in another deficit, even greater than before.

Unlucky at home, they were equally unfortunate abroad. They came to loggerheads with France over Egyptian and Turkish affairs; they became involved in a serious boundary dispute with the United States, subsequently aggravated by a quarrel over the right to search American ships for slaves. Probably, if they had stayed in office, they would have got into war with one or both of these Powers. They did drift into war with Persia. They began a war—the precursor of many wars—with China.

Under them Afghanistan was invaded. Invasion, easy conquest, the establishment of a puppet Amir, followed rapidly one on the other. Then came insurrection, treachery, and massacre; reconquest, and final evacuation.† History repeats itself—repeats itself, that is, when rulers will not learn by experience—and forty years later, a repetition of the same miserable policy produced almost identically the same tragic results.

Temporarily resuscitated by the accession of the Queen, by Melbourne's touching affection and fidelity to his new Sovereign, and by the foolish party attacks made on her by the Tories, they scrambled along from hand to mouth with "nothing," as Lord Holland said in 1839, "to rely on, but the Queen and

* This imposition of taxation, which goes by the name of "Baring's levy," of 1840—Mr. (afterwards Sir Francis) Baring had succeeded Mr. Spring Rice at the Exchequer in 1839—was in imitation of the old "subsidy" of earlier days, a five per cent. rise of duty on almost every article in the custom and excise list. Baring's levy did much to spoil the symmetry of the tariff figures, by adding to each some niggling little fraction. For instance, the duty on colonial sugar was raised by it from 24s. to 25s. 2½d., that on foreign from 32s. to 33s. 7½d., that on coffee from 6d. to 6½d., etc.

† "After four years of unparalleled trial and disaster, everything was restored to the condition in which we found it; except that there were so many brave Englishmen sleeping in bloody graves." Lord Shaftesbury, *Life*, i. p. 440. The war was begun in 1838, the "massacre" took place in November, 1841; Cabul was finally evacuated in January, 1842.

O'Connell." Attempting, in 1839, in contravention of the political principles, to suspend the Constitution of Jamaica, they were so feebly supported, that they resigned; but the "Bedchamber Plot," while strengthening Peel's position, brought them back to office, ill-sheltered from the storm of ridicule "behind a woman's petticoat."

First refusing, they at last grudgingly and of necessity, granted Canada a Constitution*—the keynote of the subsequent colonial policy of this country—and at the same time managed, by their ungenerous behaviour to Lord Durham, to give an impression of meanness, and of disloyalty to a colleague which Englishmen never forgive.

A government of retrenchment—they had increased the expenditure and imposed taxation. A government of reform—the Statute Book, as far as they were concerned, was almost a blank. A government of peace—they had been continually quarrelling or fighting.

Beset by difficulties at home and abroad, discredited, ridiculed, bearing humiliation with an easy fortitude which would have done credit to a better cause, and preferring to meet defeats with resignation of spirit rather than with resignation of office,† the Whigs, in 1841, cast about, in their desperation, for any means of retrieving their position. A year or two previously, the Prime Minister had emphatically declared that those who proposed the abolition of the Corn Laws were fit only for a lunatic asylum; and many of his colleagues had been equally emphatic.‡ But now an agitation in favour of substituting a fixed duty for the sliding scale—with the certainty that abolition must ultimately follow—gave them hopes of salvation, and they

* In 1840.

† Mr. Hayward, in one of his *Essays* (Third Series, i. 266), an interesting sketch of Melbourne, states that the Prime Minister once declared, when a question of resignation had arisen, "I counted up more than two hundred of my intimate acquaintances, or their families, who would have been half-ruined or heart-broken by my going out;"—and he stayed in.

‡ The matter of the Corn Laws had, it is, however, but fair to say, been left an open question in the Government. For instance, in 1834, the First Lord of the Admiralty—Graham—defended them, though in a lukewarm way (indeed Graham had some years before himself demonstrated their futility, in his pamphlet, *Corn and Currency*), while the Vice-president of the Board of Trade—Poulett Thomson—attacked them and answered Graham. See *Torrens' Life of Graham*, i. 177, 185, 477, &c. Lord J. Russell himself declared for a fixed duty in 1839 (letter to constituents, January 21, 1839).

feverishly declared for that mode of dealing with the Corn Laws.

In 1840, the Government had endeavoured to meet their deficit by a general increase of custom and excise duties. In 1841, with an equally large deficit, they proposed to meet it by acting exactly on the opposite principle. Not only were the Corn Laws to be radically altered, but the protective and differential duties on two most important articles of consumption—sugar and timber—were to be greatly reduced.*

But the end was come. Though defeat only made them cling more firmly to office, a direct vote of want of confidence—out of which, as Sir James Graham thanked God, they “could not wriggle”—at length forced them to resign or dissolve, whereupon they appealed to the country.† And the country was weary of them; was perhaps not ripe for Free Trade—certainly was not willing to receive it from their hands. Their appeal was rejected, and the Tory party was returned to power with an overwhelming majority.

Thus disappeared a great party. Not annihilated, as the Tory Party had been annihilated at the time of the Reform Bill, before an outburst of Liberalism. Not broken up as, in 1846, the Tory Party were broken up, in the accomplishment of one great measure; or as the Liberal Party were broken up, forty years later, during a change of front. Not used up, as the Liberal Party were used up between 1868–74, by preternatural activity on the part of their leaders. Not routed, as the Conservative Party were routed in 1880, through definite dislike to their foreign policy. None of these things had happened. The great Whig Party had been simply muddled away.

So ended the Reform Era; opening so hopefully, closing so pitifully.

* See Poulett Thomson's letters (from Canada) to Lord John Russell of March 21, 1841, advising the Government not “to patch,” but to introduce a sort of “Commercial Reform Bill.”

† The dissolution took place in June, 1841.

CHAPTER III.

PEEL.

1841—46.

THE state of the country and the financial position, when Peel again acceded to office, was not very encouraging for fiscal reform.

Five years' accumulated deficiencies, amounting to seven or eight millions sterling; increased, and increasing, military and naval expenditure; costly war legacies to be met in China, in Persia, and in Afghanistan; an inelastic and sinking revenue, not responding to increased taxation; trade stagnant; the total value of the exports dwindling year by year,* these two signs together giving rise to great alarm, lest the wealth of the country were becoming exhausted; harvests deficient, employment scarce, articles of general consumption at a high price, crime and pauperism at their maximum.† The Corn Laws assailed by the League; the Union threatened by the Repealers; the existing form of Government assailed by the Chartists. Abroad, France offended and sulky; America irritated and threatening; Europe generally in an uneasy condition.

The outlook was indeed gloomy; but Peel had one enormous advantage in his favour. He succeeded a discredited government, a Government whose extravagance and financial ineptitude had been only equalled by their indifference to reform at home and their mismanagement of affairs abroad.

Peel's personal position was already a great one. As chairman of the Bank Committee of 1819, and as the author of the Bank Act of

* Amounting in 1842 to a lesser sum than in the last year of the great war.

† "Both pauperism and crime attained not their relative but their actual maximum in 1842, till at last one person in every eleven was a pauper; and one person in every 500 was committed for trial." (Walpole, v. 503.)

the same year, he had made himself a financial name. His reputation had survived his tenure of the Irish Office. Twice at the Home Office he had shown that he possessed enlightened and humane views. His conduct of affairs during his short Premiership of eight years before, had proved him to be a statesman. The temper and judgment he had shown, as leader of the Opposition, had proved him to be a man of power and resource. From what seemed their final annihilation in 1832, the Tory party had gradually, under his generalship, regained its old position, so that, in the Parliament of 1837, it came to number a half of the whole House, and now, in a Parliament summoned by the Whigs themselves, it was in a majority of nearly one hundred votes.*

Thus steadily and uniformly Peel had been growing in public estimation. If his views were felt by some of the less enlightened of his own party to be somewhat too advanced and progressive, his acceptance of the Reform Bill as a settlement not to be re-opened, and his liberal, if moderate programme, commended him to reasonable men of all parties; † while his change of front on the question of Roman Catholic emancipation had been, if not forgiven, for the time forgotten.

Admirable in debate, unsurpassed in his knowledge and management of the House of Commons, but awkward and taciturn in social intercourse; ‡ his very manner, in itself frigid and repellent; gave confidence at this time of distress and doubt.

Peel, alone, it was clear, was capable of carrying on the Queen's Government with satisfaction to the country, and of bringing it out of the slough of despond into which Melbourne and his colleagues had plunged it.

The position was somewhat like that of a hundred and twenty years before. Then, after the collapse of the bubbles—South Sea and others—when the nation seemed at the point of bankruptcy, all eyes were turned to another Sir Robert as the one man able to

* The Tory party in the Reformed Parliament of January, 1833, only numbered 149, the lowest in point of numbers that either of the two great parties have ever touched. In the new Parliament of 1841 they numbered 367. See note, *supra*, p. 37.

† It was about this time that the change of name from "Tory" to "Conservative" took place. The name "Conservative" had first been used by Mr. Croker in an article in the *Quarterly*, in 1831.

‡ "I have no small talk, and Peel has no manners," said the Duke once, when expressing a doubt as to Conservative acceptability at the Court of a female Sovereign.

save Society: Walpole undertook the charge, stayed the plague, and stood between the living and the dead. Now Peel, placed at the helm by popular acclamation, was successful in dealing with a state of affairs which, if less acute than that of 1721, was fundamentally more critical.

Friend and foe alike felt that at last the country was to be governed by a strong man, and a man of business; and it was this popular support which endowed Peel with courage and energy to face and to meet the enormous difficulties of the financial situation. It was, indeed, the perfect confidence felt in the man, more than any liking for his measures, which enabled him, in a House of Protectionists, to enter on a course of fiscal reform, which could but lead to free trade; in a House mainly representing wealth, to impose a direct tax on property in order to relieve industry.

In old days, the idea of taxation had simply been to obtain the necessary revenue, without much regard to the incidence of the tax or to the interests of producer, consumer, or trader. The end alone was considered, not the means, and as each trade or industry made headway, it was looked upon as fair game for taxation.*

Gradually the idea sprang up that taxation, as far as it could, should serve a commercial purpose, as well as produce the necessary revenue. In the sixteenth, seventeenth, and eighteenth centuries, and even as late as the first quarter of the nineteenth century (at first in its full rigour, and gradually modified by experience and increasing intelligence), the commercial policy of the country was conducted on the theory of the so-called "mercantile system," based on what Bagehot sanguinely called the "extinct superstition . . . that wealth consisted of money." Along with it prevailed also the co-ordinate superstition, which is still far from extinct, that the greater the exports and the smaller the imports the better the "balance of trade" and the more prosperous

* Green writes of Henry VII.:—"A dilemma of his favourite minister, which received the name of 'Morton's fork,' extorted gifts to the exchequer from men who lived handsomely on the ground that their wealth was manifest, and from those who lived plainly on the plea that economy had made them wealthy."—*A Short History of the English People*, p. 296. See Hallam's *Constitutional History*, ed. 1872, i. 14, for the same.

the country. Most people then, as some do still, shared the opinion expressed in Mark Twain's definition, that "the imports of a country are the things that are paid for; the exports are the things that are not."

In order, therefore, to maintain a good "balance of trade," exports were to be encouraged and imports discouraged: the foreigner was to be induced to buy British goods; foreign goods were to be as far as possible eschewed. Hence, naturally arose the fiscal system, under which were levied heavy import duties on foreign food, raw materials and manufactures, while the exports of home manufactures and food products were, with some exceptions, encouraged by a system of bounties; the result of the whole being, that while we indeed bought but little, we sold proportionately less, and trade was restricted in both directions.*

Thus were introduced prohibitive or protective taxation for the benefit of the manufacturer; corn laws and the prohibition of the import of food products, for the benefit of the agricultural interest; differential duties in favour, and for the encouragement of the Colonial against the foreign producer; † navigation laws, for the encouragement of shipping. A few of the imposts combined the advantage of being remunerative and at the same time protective; others were neither the one nor the other. Some of them, originally imposed merely for revenue purposes, had, by addition after addition to the duty, become both protective and unremunerative. Little of the indirect taxation was maintained solely for revenue purposes, and that which was so maintained was, both in method and in amount, injurious. The heavy excise duties on home manufactures injured the growth and stunted the improvement of many industries. The excessive and often com-

* Adam Smith (p. 187, &c.) very clearly describes the old "Mercantile System." See also McCulloch's Introduction (p. 20, &c.), Cunningham's *Growth of English Industry* (p. 364, &c.), Huskisson's *Depreciation of Currency*, 1810, &c.

† These differential duties were very costly to the British consumer and taxpayer. The price of colonial produce was artificially raised to the price at which the foreign articles could be imported; while coming in, as it did, at the lower rate of duty, it produced but little revenue. Thus the consumer practically paid a large subsidy to the Colonies, while the Exchequer lost the receipts which it would have gained by the imposition of an equal and moderate duty on foreign and colonial goods alike. It has been estimated that on the two principal articles of colonial production alone—sugar and timber—the home consumer was, till 1842, paying in the price a bounty to the Colonies of nearly six millions a year—on timber one and a half, and on sugar over four millions. McCulloch's *Com. Dict.*, "Colony," "Timber;" cf. Porter, 557; Walpole, iv. 132, &c.

plicated custom and excise duties on imported articles, such as spirits, wine, tea, and tobacco, led to the natural results. Excessive duties, whether intended for protective or for revenue purposes, were largely tempered by the dexterity and the devices of the smuggler. "Cheap goods," as McCulloch says, "never fail of making their way through every obstacle;" and thus, to a very large extent, the producer lost his protection, and the Exchequer lost its legitimate revenue, while the consumer had to compensate the smuggler for the risk involved in his trade.*

The extraordinarily cumbrous complications of the customs tariff, drawn up on no definite or intelligent principle,† with its innumerable conflicting, differential, protective,‡ prohibitive, unremunerative duties, will become evident as we proceed to trace the different steps that were taken with a view to simplify it.

The effect on trade and commerce of this combination of taxation and protection was clearly pointed out by Deacon Hume and Porter in their evidence before the "Import Duties Committee" of 1840.‖ The system of tariff was most harassing and costly to the trader, involving endless and unnecessary warehousing, packing and unpacking, disputes and complications. It

* Peel pointed out, in 1842, that high duties, intended to be protective duties, were often a "mere delusion," which do "not constitute a protection to the British manufacturer, . . . for the check to their operations is the smuggler. It is a mere delusion to tell the home manufacturer that you levy a duty of 35 to 40 per cent. on the importation of foreign manufactured articles, if he is robbed of that apparent protection by the importation of the same articles in an illicit way." In support of this view he produced a letter from an "extensive smuggler," offering his correspondent goods at a charge far below the revenue duty. (*H.*, May 10, 1842.)

"Even thirty years ago a Dorsetshire labourer never worked after three o'clock in the day, and why? Because the whole of that part of England was demoralized by smuggling. No one worked after three o'clock in the day, for a very good reason—because he had to work at night. No farmer allowed his team to be employed after three o'clock, because he reserved his horses to take his illicit cargo at night, and carry it rapidly into the interior."—Disraeli at Manchester, April 3rd, 1872.

† "The plan has been to name, as nearly as possible, every article which the mind of man almost could conceive, with a particular duty attached to it; and then, with a view to obtain a duty upon any article which may not have been so named, the table winds up with two general charges, which are known by the name of the 'unenumerated duties.'" Deacon Hume before the Committee on Import Duties (*P. P.* 601 of 1840, p. 87).

‡ Deacon Hume laid before the Import Committee of 1840 a list of 130 home or colonial articles (heads, exclusive of sub-heads) which were actually "protected" by import duties. Porter stated to the same committee (p. 196) that there were 82 differential duties in favour of Colonial against Foreign imports.

‖ Their evidence is well worth study, as an exposure by contemporary observers who had peculiarly good means of observation—Hume had been for 49 years at the Customs and Board of Trade, and Porter was head of the Statistical Department of the Board of Trade—of the evils of a system of innumerable and mostly protective customs duties.

discouraged and destroyed enterprise, competition, invention and improvement.* It misdirected capital and labour, encouraging some trades at the expense of others. It caused great fluctuations in employment and profits. It was costly of levy. By injuring the revenue it burdened the taxpayer; by unduly raising the price of all articles of consumption it involved a most serious cost to the consumer.

Such was the barbarous system—combining every fiscal disadvantage, and running counter to every fiscal axiom—in force at the close, and for a considerable time after the close, of the Great War. Huskisson and Robinson, Althorp and Poulett Thomson, had done something to reverse the old policy; but many pernicious excise duties still remained, and over a thousand articles were still charged with customs duty. The fringe of a great subject had alone been touched.

Just before Peel came into office, public attention had been forcibly directed to the subject of fiscal reform; a feeling in favour of action had been springing up, and the distress of the country had emphasised the necessity, while adding to the difficulty, of the task. The chief motive power had been the Report of the celebrated Import Duties Committee of 1840—a committee, appointed on the motion of the well-known economist Joseph Hume,† to enquire into the Customs Duties, with a view of seeing how far they were levied for protective, and how far for revenue, purposes. The deliberations and the report of this committee marked a new point of departure, by bringing clearly before the public mind the eminently uneconomical and hurtful character of the existing system under which customs duties were levied.‡

The committee showed that of the overladed tariff, with its

* See Hume's evidence, Q. 1137, 1146, &c. Porter (Q. 2563) said that protection "had the effect of setting people asleep."

† Joseph Hume began his economical career in 1820, when Vansittart was Chancellor of the Exchequer. They were respectively dubbed "penny wise" and "pound foolish."

‡ The enlightened views taken by the committee had such an effect on the financial policy of the country that their remarks and recommendations, in themselves of very great interest, must be quoted at some length.

The committee expressed their "strong conviction that important changes were urgently required in our Custom-house legislation. The existing tariff," said they, "presents neither congruity nor unity of purpose." "The tariff," the report continues, "often aims at incompatible ends; the duties are sometimes meant to be both productive of revenue and for protective objects . . . they do not make the receipt of revenue the main consideration, but allow that primary object of fiscal

thousand different duties, ten-elevenths of the whole customs receipts—£20,800,000 out of £22,120,000—were produced by

regulations to be thwarted by an attempt to protect a great variety of particular interests, at the expense of the revenue and of the commercial intercourse with other countries ;" Colonial interests advantage also "at the expense of the Mother Country."

The committee "cannot refrain from impressing strongly on the attention of the House, that the effect of prohibitory duties, while they are of course wholly unproductive to the revenue, is to impose an indirect tax on the consumer, often equal to the whole difference of price between the British article and the foreign article, which the prohibition excludes." "On articles of food alone," add they, "it is averred that the amount taken from the consumer exceeds the amount of all the other taxes which are levied by the Government." And the loss was not only loss of revenue, but is "accompanied by injurious effects upon wages and capital, and greatly diminishes the productive powers of the country and limits our active trading relations." On the same grounds the committee condemned also high and protective duties, which check importation and are unproductive to the revenue. "Experience shows," said they, "that the profit to the trader, the benefit to the consumer, and the fiscal interests of the country are all sacrificed when heavy import duties impede the interchange of commodities with other nations."

They found, moreover, a growing conviction "that the protective system is not, on the whole, beneficial to the protected manufacturers themselves. The most prosperous fabrics abroad," they have reason to believe, "are those which flourish without the aid of special favours." They combated the theory—a theory which had great weight, especially with Peel—that protection kept up the rate of wages. They believed, on the contrary, that "the best service that could be rendered to the industrious classes of the community would be to extend the field of labour, and of demand for labour, by an extension of our commerce."

The committee divided the 872 articles (heads, exclusive of sub-heads) on which duties were charged in 1838 into eight schedules, "which they submit" (as well they may) "to the serious consideration of the House :"—

may) to the serious consideration of the House:—				
Sch.	I.	349	articles, producing less than £100 each, and in the aggregate	£ 8,050
„	II.	132	articles, producing from £100 to £500 each	31,630
„	III.	45	„ „ „ „ 500 to 1,000 „	32,060
„	IV.	107	„ „ „ „ 1,000 to 5,000 „	244,730
„	V.	63	„ „ „ „ 5,000 to 100,000 „	1,397,320
„	VI.	10	„ „ „ „ 100,000 to 500,000 „	1,838,630
„	VII.	9	„ „ „ „ 500,000 each and upwards	18,575,070
			<hr/> 715	<hr/> 22,127,490
„, VIII.	On 147		articles no duty was received, but on them there was an excess of drawback amounting to	5,378
			<hr/> Total 862 producing	<hr/> £22,122,112

Or as put by Mr. Porter, in another way for 1840 :—

17	articles produced	94 $\frac{1}{2}$	per cent.	.	.	.	.	.	.	£21,700,000
29	" "	3 $\frac{2}{10}$	"	.	.	.	.	.	or	889,000
144	" "	1'1 $\frac{3}{8}$	"	.	.	.	.	.	or	363,000
531	" "	...	"	.	.	.	.	.	.	80,000
										23,042,000
147	" loss, deduct			.	.	.	.	.	.	5,000
868										£23,037,000

(P. P. 601 of 1840. The Report is dated August, 1840.)

eighty-two articles; and over six-sevenths—£18,600,000—from only nine articles. With such a state of things existing, they, not unnaturally, expressed “their strong conviction of the necessity of an immediate change in the import duties of the kingdom,” and that imposts should be levied on a small number of the most productive articles, which would “facilitate the transactions of commerce, benefit the revenue, diminish the cost of collection, and remove multitudinous sources of complaint and vexation.”

Such an impression did this report make on the public mind, that the Whig Government, in their last abortive Budget of 1841, completely reversed their financial policy of the previous year, and made a feeble and half-hearted attempt in the case of timber and sugar to carry out the principle of reduction of differential duties, in order, by stimulating consumption, to increase the revenue, and “to obtain,” as the Chancellor of the Exchequer said, “the required supplies without adding to the burdens of the people.” And, again, in their Queen’s Speech, after the general election of 1841, they declared against the Corn Laws, for the abolition of “unproductive” and “vexatious” import duties, and against “the principle of protection.”

But it was not for the Whig Government to carry out a policy that required power and resource. With the hour came the man. It was left to Peel, with his enlightened and liberal views, with his courage and common sense, to foster and to guide public opinion, and to bring about great reform.

Peel has often been denounced, not only by the author of the phrase, but also (though perhaps in less pungent language) by more unprejudiced speakers and writers, as a “trader on the ideas and intelligence of others.”* But there are times when reforms are in the air, and no single mind can claim the credit of originating them. Then is it that the man who, by his force of character and abilities, has placed himself in a position to carry out the wishes of the nation; the man who can discriminate between the good and the bad; the man who can translate words into actions, rather than he who merely translates ideas into words,

* “For between thirty and forty years the right hon. gentleman has traded on the ideas and the intelligence of others. His life has been one great appropriation clause: he is a burglar of others’ intellect. There is no statesman who has committed petty larceny on so great a scale.”—Disraeli (*H.*, May 15th, 1846).

receives, as he should receive, the lion's share of the credit of legislative reforms.*

Peel no doubt did not originate, but adopted, the recommendations of the Import Duties Committee; he did not originate, but adopted, the recommendations of those who declared that deficits should no longer be tolerated; he did not originate, but adopted, the recommendations of those who proposed to rehabilitate the revenue by means of direct taxation.† Where he showed the master-mind was in combining together all these various recommendations, and at one and the same time, creating a surplus and reforming the tariff, by means of a tax odious to many, long since disused, and which his predecessors had shrunk from re-imposing.

The financial policy thus inaugurated, and continually developing through five years of office, was as bold as it was wise. The first object in view was a purely financial one. Like Pitt, Peel was convinced that the only way of rehabilitating the finances, and of placing them on a sound and satisfactory basis, was to put an end to the discreditable and dangerous system of borrowing to cover annual deficiencies, by making and maintaining each year an equilibrium between revenue and expenditure; and, further, that something should each year be done towards the reduction of the debt, and for this purpose an annual surplus should be retained and realized. The second object was fiscal. Peel clearly saw that the best way of developing the national wealth, of improving commerce, and of promoting employment, was to leave trade more to its own initiative, and to bind it less by Acts of Parliament. Thus the remaining export duties were abolished. Thus were the raw materials of industry set free from duty. Thus were the import duties on manufactures and on food,

* "The idea matters little, the execution is all in all. In art, in writing, in speaking, in war, in statesmanship, what mainly tells is not the mind's head, but her hand—not her thoughts, but their working out." *Notes of Thought*, by Charles Buxton, p. 17.

† Althorp, Parnell, Huskisson, and Poulett Thomson, had ere this declared that they entertained no serious objection to an income tax. In 1830 Althorp (*H. March 25th*) had announced that he "had no hesitation in saying that to grant relief to the productive population, by a reduction of taxes, and to impose a property tax to meet the deficiency thus occasioned, would be a very good measure." It was believed that in 1831 he had desired to propose the imposition of a low income tax, instead of the tax on the transfer of property, but had been over-ruled by the majority of the cabinet.

which had been imposed for the protection of home or colonial products, abolished or reduced. Thus was the cumbrous and costly customs tariff cleared of many of the innumerable petty, vexatious, and unproductive duties which injured trade without benefiting the revenue. Again, Peel appreciated the fact that high duties for revenue purposes defeat their own object; that the best way to suppress the smuggler is not to pile penalty on penalty, but to take away the profits of his trade, by a reduction of taxation that will encourage legitimate and discourage illegitimate consumption.

In order to supply the immediate void caused by the remission and reduction of taxation, and in order to obtain and to maintain the necessary surplus, the income-tax on property was to be re-imposed. Re-imposed, not because Peel looked upon it as a good tax in itself, but for much the same reason that Pitt, though with a different purpose, had originally imposed it—namely, that revenue was essential and dire necessity compelled.

Peel's mind was a cautious mind: he did not jump to conclusions, but took some time to convince himself of their truth. Once convinced, however, he went straight forward, swerving neither to the right hand nor to the left, affected neither by party nor by personal considerations. He began cautiously, and it was only as the logic of events, as the proofs he every day received brought conviction to his mind, that he adopted that free-trade programme which marked the fiscal legislation of 1846.

At first he did no more than continue the policy inaugurated by Huskisson: reduction, not abolition, of taxes; the substitution of protective for prohibitive duties. But soon abolition took the place of reduction. The duty on raw materials of manufacture disappeared; the excise duty on glass was repealed; innumerable uneconomical and vexatious customs duties were abolished. Finally, the principle of unrestricted competition was, for the first time, applied to some branches of industry, by the abolition of the import duties on certain of the commoner sorts of manufactures, and the further reduction of the duties on many of the higher class goods. The surviving export duties were abolished. Along with the duty on corn, disappeared the duties on many other articles of food, while those still left were considerably reduced. Indeed, the revision of 1846 was professedly

a revision on "free-trade" lines; the remaining protective duties were avowedly intended to be but temporarily maintained, and to be gradually reduced, until finally every article should feel what Poulett Thomson once called the "healthy breeze of unrestricted competition."

In March, 1842,* the Prime Minister introduced his first Budget—an epoch-making Budget—in a weighty and lucid speech.

Nothing was concealed, nothing kept back; the full financial position, in all its ugly nakedness, was laid bare. The closing year would end in another deficit of some two millions and a quarter, following on a series of deficits, amounting for the previous four years to over five millions. The coming year too, on the basis of the revenue of the previous year, would end in a further deficit of two and a half millions for the "general service of the year." In addition, the Chinese war would cost some hundreds of thousands; and there was a probability that England would be called upon to give pecuniary aid to India on account of the renewal of the Afghan war.

The deficiency was no casual one; deficits had become chronic. To reduce the expenditure was out of the question. An increase of revenue could hardly be expected. Convinced though he was, that a wise reduction of duties would eventually produce a larger revenue, Peel would not, as his predecessors had done, calculate on an immediate recovery without providing for a possible deficiency. "For," said he, after passing in review different reductions of duty which had been made in former years, "with the exception of coffee,† which realised the full amount of duty in the third year, and rum, there is not a single article the duty on which has recovered itself within a period of five or six years after a considerable reduction." The experience of the late Government who, two years before, had imposed a general five per cent. levy on the customs and excise, and instead of receiving nearly two millions additional revenue, had received but a tenth of that sum,‡ had made it clear that "the limits of taxation

* H., March 11, 1842.

† Reduced in 1825. The experience derived from subsequent reductions on the coffee duty has been very different.

‡ The late Chancellor of the Exchequer (Baring) subsequently argued, however,

on articles of consumption" had been reached; and it was not therefore possible for him to "consent to any proposal for increasing taxation on the great articles of consumption by the labouring classes." What then should he do? He could not have recourse to "the wretched expedient of continued loans." How then was he to make both ends meet, and to provide the surplus on which his financial policy was based? What taxation could be imposed? Indirect taxation was out of the question; one alternative alone remained—a direct tax on property.

And then, turning to them, the Prime Minister made "an earnest appeal to the possessors of property" to allow him to re-impose the income tax in order "to repair this mighty evil"—financial decrepitude. Property, he declared, would in the end gain, and not lose. Commerce would be revived, the manufacturing interests would be fostered, the cost of living would be reduced,* while a great public danger would be averted. In a fine peroration, he appealed to the House, and to the nation, not to be unworthy of their ancestors. "If," said he, "you do permit this evil to continue, you must expect the severe but just judgment of a reflecting and retrospective posterity. Your conduct will be contrasted with the conduct of your fathers, under difficulties infinitely less pressing than theirs. Your conduct will be contrasted with that of your fathers, who, with a mutiny at the Nore, a rebellion in Ireland, and disaster abroad, yet submitted with buoyant vigour and universal applause (with the funds as low as 52) to a property tax of ten per cent. I believe that you will not subject yourselves to an injurious or an unworthy contrast."†

that (excluding corn, the receipts from which depended on extraneous circumstances) not £200,000 but a million additional revenue had been actually received.

* Peel asserted confidently that the man who pays £2 18s. 4d. (sevenpence in the £) per cent. on his income might make that saving in his expenditure in consequence of the reform of the tariff. Budget Speech, II., March 11, 1842, see also his letter to Croker, *Correspondence*, ii. 383. Cf. Disraeli's *Sybil* (published 1845) for the other side of the question (p. 402).

Mr. Jennings' admirably edited *Croker's Correspondence and Diaries*, (1884) has had the success which it deserves in very much rehabilitating the reputation of Croker, who for thirty or forty years had been almost unknown, except as the object of Macaulay's laboured sarcasm and of Disraeli's savage caricature. The three volumes abound in most interesting and valuable letters of Peel and the Duke of Wellington.

† Perorations are perhaps not made to be analysed. But, as a matter of fact, this sentence is founded on a series of anachronisms. The "triple assessment," not the income tax, was imposed in November, 1797. The mutiny at the Nore had been

The House was not slow to respond to the appeal. In spite of, perhaps partly because of, the factious opposition on the part of some of the Whigs, who had not yet recovered "from their surprise that their promises of cheap bread and cheap sugar had not proved more attractive,"* the third reading of the bill was passed by an overwhelming majority; and the income tax, originally called into existence as a weapon of war, was now to be used as an engine of peace. The repeal of the income tax in 1816 had delayed for many years commercial and financial reforms, its re-imposition in 1842 gave them a great impetus.†

The tax was to be imposed for three years certain, and for a further two, if, by chance, the state of the finances required it. It was to be levied on all incomes above £150 a year; and not at the old ten per cent. rate, or 2s. in the pound, but at 7d. only, or not quite three per cent.‡ For the present Ireland was to be exempt. No arrangements for the collection of the tax existed there, and in the then "state of society" in that country, it would be difficult, said the Prime Minister, to devise or to work satisfactory machinery.|| As a set-off, the Irish spirit duty was to be raised to the level of the Scotch, and the stamp duty was to be equalised with that of England,—additions which were estimated to produce together some £400,000 a year.**

The deficit to be met in the year, including the relinquishment of about a million and a quarter of revenue, which was to be devoted to the purposes of fiscal reform, amounted to about three millions and three quarters. The income tax would, it was estimated, produce in the year £3,770,000, the Irish duties £400,000, and a tax on the export of coal, with a few other

suppressed in the June of that year: the French and Spanish fleets had been completely defeated in the early spring, and the Dutch fleet in October. The income tax itself, instituted the following year in consequence of the failure of the triple assessment, was not proposed until December, 1798, long after the Irish rebellion had been snuffed out on Vinegar Hill; and after Napoleon had relinquished his threatened invasion of England in favour of an equally abortive scheme of Eastern conquest.

* Greville, 1st Series, ii. 21.

† On the announcement of the intended imposition of the income tax the funds rose from 89 to 93. Cf. Martin's *Life of Prince Consort*, i. 134, and "H. B.'s" Cartoon on the subject.

‡ For the history of the income tax, and the alterations made in the tax at different periods, see *I. 109* and *309*.

|| The income tax was extended to Ireland in 1853.

** The increase of 1s. on the Irish spirit duty, instead of producing £250,000 in the year, only produced about £50,000, and the duty was in the following year lowered to the old figure of 2s. 8d.

charges, about £200,000 more. Thus, after setting aside half a million for China, a small surplus would be left, and the Prime Minister was sanguine that the revenue would show considerable elasticity. Sanguine expectations, which were doomed to disappointment; and, indeed, Peel was always more successful in his financial policy than in his applied arithmetic. The cancer of financial disease had eaten too deeply into the trade of the country to be at once eradicated, and the produce of the customs and excise fell by two millions short of the estimate. Not only so, but while, by an extraordinary mistake, the whole of the income tax had been reckoned on, only half could actually be collected in the current year. Against this, however—unlike Pitt, who estimated for a produce of seven millions and a half and received but five—Peel had estimated for a revenue of but three and three quarters, and had received it at the rate of five millions a year, a rate increased in the following year to over five and a half. Thus, in spite of the blunder, the actual receipts from the income tax in 1842 were but a million and a quarter short of the estimate.

Nevertheless, there was on the year's accounts a deficit of £2,400,000, instead of the estimated surplus of £630,000,—Spring-Rice or Baring could apparently have done as well! But the seed had been sown on good ground, and it was not long before it sprung up and began to bear fruit an hundredfold. The deficit of 1842, was the first and last of Peel's Premiership; and the very next year ended with a surplus revenue of four millions over the ordinary expenditure. Indeed, taking the two years 1842 and 1843 together,—as, in order to show the results of the policy of 1842, they should be taken,—we find that the whole of the million and a half of indirect taxation remitted in the former year was recovered, and half a million to boot; while nearly eight millions of revenue were derived from the income tax.

By 1845, when the income tax was to expire unless renewed, so well had the revenue responded to judicious taxation combined with fiscal reform, that it would have been possible to have dispensed with its aid, even before the end of the five years originally contemplated. The realized surplus of 1844* amounted

* The Budget of 1845 was introduced before the close of the financial year, and the

to six millions; and it was estimated that, for the coming year, even if the income-tax were not re-imposed, there would be (including the £2,600,000 of arrears of income-tax yet uncollected) a surplus of £1,400,000, with, however, some risk of a deficiency in 1846.

But Sir Robert Peel,* encouraged by the success which had already attended his financial policy, and emboldened by increased familiarity with the income tax and with fiscal operations generally, had the courage to demand, and the House of Commons had the patriotism to agree to, the re-imposition of the tax for another three years; and thus, guaranteed against all risk of a deficiency, the Prime Minister was enabled to make a "bold experiment," and still further, and in a more comprehensive way than before, to reduce, simplify, and reform indirect taxation.

This second imposition of the income-tax was essentially different from that of any previous period. In 1798† and in 1803, the tax had been imposed and re-imposed under war necessity, and in 1842 revived under financial pressure. But now, in 1845, when it might have been allowed to lapse, it was deliberately, and with full knowledge, re-imposed, with a specific purpose in view—a purpose which, indeed, it was hoped might, but which on the other hand might not, so revive the revenue, as to enable the tax to be sooner or later dispensed with.

The fiscal proposals of Peel's first Budget of 1842 are best described in his own words. "We have proceeded," said he, in his Budget speech, "on these principles. First, we desire to remove all prohibition, and the relaxation of duties of a prohibitory character; next, we wish to reduce the duties on raw materials for manufactures, to a considerable extent—in some cases the duty we propose being merely nominal, for the purpose more of statistical than revenue objects, in no case, or scarcely any, exceeding in

actual realized surplus for 1844 exceeded, by about a million, the estimate—five millions—as given in the Budget speech.

* Goulburn, the Chancellor of the Exchequer, was only, as it were, Peel's "chief clerk." It was Peel himself, and not his Chancellor of the Exchequer, who, in 1842, in 1845, and practically again in 1846, laid before the House the financial proposals of the Government. Lord J. Russell, in 1848, tried to play the same part to his Chancellor of the Exchequer, but his interference as Prime Minister served only to make the ill-success of the Budget of that year the more significant.

† The Income Tax Act was not actually passed until January, 1799.

the case of the raw materials 5 per cent. Then we propose that the duties on articles partly manufactured shall be materially reduced, never exceeding 12 per cent.; while as to duties on articles wholly manufactured, we propose that they shall never exceed 20 per cent." Again, speaking later in debate, he thus summed up what he had done:—

"We have sought," said he, "to remove all prohibitions—all absolute prohibitions—upon the import of foreign articles, and we have endeavoured to reduce duties which are so high as to be prohibitory, to such a scale as may admit of fair competition with domestic produce. In cases where that principle has been departed from, and the prohibitory duties maintained, we justify our departure from the rule by the special circumstances of the case. But the general rule has been to abolish prohibitions and to reduce prohibitory duties within the range of fair competition. With respect to raw materials which constitute the elements of our manufactures, our object, speaking generally, has been to reduce the duties on them to almost a nominal amount. In half-manufactured articles, which enter almost as much as the raw material into our domestic manufactures, we have reduced the duty to a moderate amount. And with regard to completely-manufactured articles, our design has been to remove prohibition, and to reduce prohibitory duties, so that the manufactures of foreign countries may enter into a fair competition with our own." * ✕

The actual effect of the Budget of 1842, was to abolish, at a cost of £100,000, the remaining export duties on home manufactures, leaving only the raw materials coal, wool, and clay, still subject to such duties; and to reduce, at a cost of but £270,000, the import duties on no less than 750 articles in the customs tariff, none of which were producing over £10,000 a year. The duties on two articles of general consumption—timber at a loss of £600,000, and coffee at a loss of £200,000—were considerably reduced, the duties still, however, remaining greatly differential in favour of colonial produce.† A few articles, such as brandy, wines, dried fruits, &c., were specifically reserved for future reduction, "as instruments of negotiation, with a view of effecting a

* *H.*, May 10, 1842.

† See *I.* 33, 96, 343.

reduction of duties imposed by other countries on the produce of our own country." And brandy and wine were the chief means whereby, twenty years later, Cobden and Gladstone were able to negotiate the Commercial Treaty with France. The duties on the other 450 articles in the tariff were to remain unaltered, it not as yet appearing to Peel "necessary in the interests of commerce or of consumers to make any reductions."

In 1843 there was a pause. The duty on "garancine," whatever that may be, was altered, and the prohibition, into which Huskisson had run a wedge, on the export of tools, utensils, machinery, and similar articles, was repealed, while the duties on foreign timber were somewhat further reduced.

In 1844 the surplus was utilised chiefly for the purpose of improving the credit of the country, both by strengthening the balances—dangerously depleted by the late Government—and by assuring the success of the operation involved in reducing the interest on a large portion of the debt.* The fiscal operations of the year consisted of the abolition of the still existing export and import duties on wool,† the reduction of those on glass, both import and excise, as well as those on currants, coffee, plums, and a few minor articles.

Another important measure, was the reduction, by one half, of the duty, up to then practically prohibitory, on foreign "free labour" sugar, the duties remaining however greatly differential in favour of colonial sugar. The following year the duty on both colonial and foreign "free labour" sugar was reduced, the prohibitory duty on foreign "slave-grown" sugar being still, however, left untouched.‡

In 1842, Peel had contented himself with a mere reduction of duties; in 1845 he was pecuniarily and politically in a position to take more summary measures. At one blow he swept away as many as 520 customs duties, most of them unremunerative, all of them vexatious and costly of collection—an abolition which would, said Peel, "give a new scope to commercial enterprise, and occasion an increased demand for labour."|| At a cost of

* See *I. 64, 127.*

† Both imposed by Huskisson, in lieu of the existing prohibitory duties. See *I. 198.*

‡ See *I. 96, 325.*

|| Among the articles on which duties were previously levied and now repealed,

£680,000, the import duty on cotton-wool—greatly differential in favour of Colonial cotton—was repealed. The remaining export duties, including the 2s. duty on the export of coal imposed by himself in 1842, together with the duty still existing on coal exported in foreign ships under Reciprocity Treaties, were abolished, at a cost of £118,000.* At a further cost of nearly £600,000, the excise duty on glass—one of the four remaining excise duties on great articles of home manufacture—was abolished. A “tax on light,” a duty excessive in amount, and restrictive on improvement or expansion of trade.† The duty on

were bulrushes, singing-birds, chestnuts, Iceland lichen moss, specimens of minerals, fossils and ores, and manna (!). The list of the duties repealed will be found in full in the table to the 8th & 9th Viet. c. xii. Some of these duties were producing but a few pounds or even but a few shillings.

* Coal had been subjected at one time to two forms of taxation : there was a duty, occasionally prohibitive, on the export of coal, and there was a duty on sea-borne coal carried from one part of England to another. No tax on coal carried inland was ever imposed, though Pitt had once attempted to tax it at the collieries. The tax on sea-borne coal was imposed in 1695, and in 1815 the duty was yielding some £900,000. Reduced in 1824, the tax, described by Parnell in his *Treatise*, as forming a pernicious obstruction to the productive power of the country, was repealed by Althorpe in 1831. At the time that the duty on sea-borne coal was imposed, the tax on the export of coal was greatly reduced. In 1823 the duty, which then stood at 7s. 9d. for coal exported in British ships, was reduced to 5s. 9d. a ton. In 1831 this duty, and that carried in foreign ships of countries under reciprocity treaties, was reduced to 3s. 4d. and repealed in 1834. That on coal exported in other foreign ships was reduced from 10s. 0d. to 6s. 8d. a ton, and in 1834 to 4s. a ton. In 1842 Peel had revived the tax by the imposition of a 2s. duty, but was forced to repeal it three years later ; and, in 1850, the duty on foreign ships not under reciprocity treaties was also repealed.

† The manufacture of glass first took its rise in the reign of Elizabeth, but, as well as that of iron, was discouraged on account of the great consumption of wood which it entailed. The naval and mercantile marine were looked upon as of far more importance than any branch of trade, and it was feared that the destruction of wood might injuriously affect ship-building. In 1590 (as quoted by Dowell, iv. 302), Harrison, in his *Description of England*, wrote, “Iron and glass spoil much wood, and after all may be imported from abroad better and cheaper than we can make them at home.” The first tax on glass manufactures was imposed in 1695, but was repealed a few years later. The tax was re-imposed in 1746, together with an increase in the import duties, at the rate for white glass of 9s. 4d. a cwt. It was gradually and enormously raised, the import of manufactured glass being meanwhile practically prohibited, till, in 1815, when yielding some £430,000 a year, it amounted to as much as 98s. on plate glass. After the war the tax was gradually reduced, and in 1835 that on plate glass stood at about 18s. 8d. a cwt., while on some sorts of glass the duty was still as much as 200 to 250 per cent. on the cost price.

The impediments thrown in the way of trade by the duty were very great.

“The free progress of invention and improvement was,” says Porter, “by this means prevented, not only in the manufacture of glass, but also in many other arts and sciences to which glass is subsidiary. A manufacturer who by his skilful combinations had succeeded a few years since in making great improvements in the quality of bottle glass, was stopped in his operations by the excise officers, on the plea that the articles which he produced were so good in quality as not to be readily distinguished from flint glass, to which description a higher rate of duty was attached ; the danger to the revenue being, that articles made of the less costly and

property sold by auction,—a duty which led to much fraudulent evasion,—was also repealed at a cost of some £250,000 to £300,000.*

But the most important feature of this second revision of the tariff was the repeal of nearly all the duties—first reduced by Huskisson, and again reduced in 1842—on the raw materials, whether animal, vegetable, or mineral, of the great home industries: on iron† (cast, ore, pig, unwrought, bar, etc.), steel (unwrought), wool, silk, cotton, flax, and raw linen yarns, undressed hides and skins, hemp, rags, indigo, etc., as well as on some woods. These duties were of the worst possible description, and tended not only to hamper trade, but, by raising the cost of production and reducing the powers of competition, to restrict manufacture. The only exceptions left were the duties on timber, repealed in 1866, and those on tallow, repealed in 1860. The total amount of remissions and reductions of taxation in 1845 amounted to £3,340,000.

The abolition of the Corn Laws, of which we shall speak later, was not the only financial operation of the year 1846. The

less highly taxed ingredients, would be used instead of flint glass." And he adds, that the strict excise regulations practically prevented the English manufacturers from making glass suitable for optical instruments (p. 259, &c.)

So great was the hindrance to trade and consumption caused by the heavy tax, that while in 1800 300,000 cwt. of glass had been consumed, in 1842 the amount only stood at 350,000 cwt., though the consumption had been considerably greater in some intermediate years. The tax on glass was a tax on light and air; for the poorer classes, though exempt from the window tax, could not afford to glaze their windows, and so were obliged to block them up. The repeal of the duties was followed by an immediate expansion of the trade, and probably rendered possible the construction in glass of the "Great Exhibition" of 1851, the now "Crystal Palace." The customs duties were mostly repealed in 1853, and the last in 1860. See Poulett Thomson's *Speech*, *H.*, March 26, 1830; Porter, p. 255, &c.; Dowell, vol. iv. book iv., chap. i.; McCulloch, *Com. Dict.*; Tooke; Parnell; Peto's *Taxation*, p. 125; Report of Commissioners of Excise, 1835, p. 66, &c., &c.

* First imposed in 1777 at between threepence and sixpence in the pound on the price of the articles sold, raised subsequently to sevenpence and a shilling. The grounds on which the abolition of the tax was proposed, were that, the duty being a tax on one form of transfer of property only, was invidious, and that it was so levied as to lead to great evasion, properties being only nominally put up for sale, in order to ascertain their value, and then bought in, to be disposed of privately at the ascertained price. It was calculated by Sir Robert Peel that in 1840 only eight millions out of the forty millions of property sold in that year had paid the duty. See Dowell, iii. p. 158; Peto, p. 127; Northcote, p. 67, &c.

† The history of iron is a curious one. In the time of Elizabeth, before coal was used as fuel, the manufacture both of iron and glass was, as we have seen, discouraged, in consequence of the destruction of wood they entailed. The iron industry was greatly restricted, the wants of the country being for the most part supplied by the import of foreign iron. Indeed, the English iron manufacture made no real progress until the latter end of the eighteenth century, when continual

Budget of that year—the first professedly Free Trade Budget, though but the logical sequence to those which had gone before—contained most important proposals. The earlier Budgets had repealed prohibitive, and relaxed protective duties on foreign manufactures, first reduced and then abolished those which were vexatious and unremunerative, as well as those on the import of raw materials of manufacture. These last having been now repealed, there was no longer the same reason for maintaining the protective duties on home manufactures. Those, therefore, on certain of the inferior descriptions of woollens, linens, and cotton goods, and on dressed hides, were abolished; while those on the better sorts of linen and cotton goods were reduced by one-half; and those on manufactured metals, such as steel, brass, copper, tin, etc., by a third. The general duty on fully manufactured articles being reduced to a uniform ten per cent. on foreign, and to half that rate on Colonial goods,* a differential advantage in favour of “British possessions,” though proportionately reduced, was still maintained.

The silk trade alone—that tenderly cared for, yet never flourishing child of commerce—was yet to enjoy a protection of fifteen per cent., the thirty per cent. duty, imposed in lieu of the prohibitive duty, in 1826, being reduced by a moiety.†

The agricultural interest had, in addition to the practically prohibitive tax on corn, been also protected against the invasion of any other foreign products. Hence the import of all animals,

warfare diminished, and ultimately brought to an end, the foreign supply, and stimulated the home industry.

Iron was never subjected to an excise duty. Petty did indeed, in 1806, in his quest for a new source of revenue, cast a longing eye on the iron industry, which he thought could be made to produce at least half a million a year, but the proposal to tax it was successfully resisted. The duty on imported raw or semi-manufactured iron, always differential in favour of the colonies, was enormously reduced by Huskisson. Further considerably reduced in 1842, it was now repealed. The import duty on manufactured iron was finally repealed in 1860.

* The duties on manufactures that were repealed were those existing on certain woollen goods, at the rate of, on foreign, fifteen, and on colonial, five per cent.; on certain cottons ten and five per cent. respectively; on certain linens fifteen per cent.; on hides, ten and five respectively, &c. The duties retained were those on certain woollens, which from twenty per cent. on foreign and ten on colonial were reduced to ten and five respectively. On some cotton goods the same. On some linen goods the duty (there was no differential duty) was reduced from fifteen to ten per cent.; on manufactures of hair from fifteen and seven and a half per cent. to ten and five; on skins (dressed) from twenty and ten, to ten and five; on lace to ten per cent.

See *I.* 121, 197.

† See *I.* 198.

alive or dead, fresh or salted, of their bristles, their hides, and their hair, of all vegetables, fruits, and seeds—tares as well as wheat—had been either prohibited or subjected to enormous duties. As an enlightened Peer told the House of Lords in 1841,* while hundreds of thousands of their countrymen were starving around them, “every animal that walked the earth, nay, even every fish that swam, and every bird that was fit for food, must be taxed lest it should come in cheap for our starving population.”

All actual prohibitions on articles of food had been removed in 1842, and the duties on food products (except corn) had been very considerably reduced. And now, in 1846, along with the free import of corn, there was to be free import of other articles of food. The duties on live animals† (cattle, sheep, pigs, as well as horses, asses, mules, and goats), and on animal food (beef, bacon, meat salted or fresh, with the exception of hams and tongues), were abolished. The duties on butter, cheese, cured fish, hams, tongues, and hops, were halved.‡ The duties on certain seeds and vegetables had been abolished in 1845; those remaining were now reduced, to be finally repealed in 1853.¶ The duty on tallow was greatly reduced, and provision made for a further reduction of that on timber. The duty on soap was reduced by a third; that on candles and starch by one-half; that on certain sorts of paper from a shilling to twopence. Finally, the duties on brandy and foreign spirits were also largely reduced. In all, some six millions of revenue was relinquished.

Two other important financial matters were about this time accomplished. In 1844 was passed the Bank Charter Act, one of Peel's chief financial doings, with which we will deal later.**

* Lord Radnor, *II.*, May 26, 1841. The import of fish, fresh or salted, was prohibited for the sake of the British fishing industry.

† The duty on cows was at the rate of 15s. each; on sheep, 3s.; on pigs, 5s., and sucking-pigs, 2s.; on horses, £1; and asses, 2s. 6d.: half these rates for animals coming from British possessions.

‡ The duties on hams, tongues, and cured fish were abolished in 1853; those on butter and cheese in 1860. Before Peel removed the prohibition, butter, while it could not be imported for “food,” might be imported for other purposes, if “spoilt” by the insertion into the barrel of a tarred stick.

¶ In 1845 the import duty on acorns, beans, lettuce-seeds, parsley, tares, rape, &c. were abolished. In 1853 clover, carrot, grass, onion, mustard, trefoil, and “all other sorts” of seeds followed. Previous to 1842 the duty on “clover” (for instance) was 20s. the cwt. It was then reduced to 10s. and in 1846 to 5s., colonial clover being charged 2s. 6d.

** See *II.* 14.

In the same year the largest conversion of stock yet attempted was successfully carried through. On £250,000,000 of stock the interest was reduced immediately from $3\frac{1}{2}$ to $3\frac{1}{4}$ per cent., which in ten years was to fall to 3 per cent. By the conversion an immediate annual saving of £622,000 was effected, and in 1854 a further saving to a like amount would accrue.*

The general record of the Peel Government was a very satisfactory one. At home there was social and political, as well as fiscal and financial, progress.†

Abroad, two boundary disputes with the United States were successfully brought to a close. Friendly and cordial relations were maintained with France, in spite of the momentary difficulty which arose over her attempt to extend her "protectorate" over the island of Tahiti, complicated as the question became by the "Pritchard" incident. Tact, and a conciliatory spirit on the part of Aberdeen and Guizot, brought to a satisfactory conclusion an incident that might else have involved a war. In India, Scinde was annexed; elsewhere peace prevailed.

The financial record was one of which any Government might well be proud. The ordinary expenditure, indeed, had on the whole somewhat increased, from $53\frac{3}{4}$ millions in 1842, to an estimated amount of about $54\frac{3}{4}$ millions for 1846.‡ But, on the other hand—to quote the interesting summary given by Mr. Goulburn in his last financial statement||—between January, 1842, and January, 1846, the debt had been reduced by £7,100,000, the outstanding "deficiency bills" by £4,100,000, while the Exchequer balances** had been increased by £4,800,000; the whole representing a practical reduction of debt of some fourteen millions. This redemption, and the reduction of interest, that had been

* See *I.* 127.

† Especially the employment of women and children in mines and collieries was regulated; the hours of labour of children in factories was further limited.

‡ This is the "gross" expenditure. In 1842 there had been in addition to the above an extraordinary expenditure of £1,350,000 on Canadian Expedition and Chinese War.

|| The other figures given by Mr. Goulburn (*II.*, May 29, 1846) in regard to taxes remitted and imposed, and details of tariff reform, were not complete, so I have in their place given the official figures from later returns.

** The Exchequer Balances had under the late Government more than once stood at below a million sterling. On January, 1846, they stood at nearly $8\frac{1}{4}$ millions.

effected on a large portion of the debt, had reduced the charge from £29,600,000* to £28,130,000, or by nearly $1\frac{1}{2}$ millions a year.

The extent to which the Customs tariff had been revised and simplified is best shown by the simple figures of reduction and repeal in the five years, 1842 to 1846. In 1841 there were 1046 articles and subdivisions of articles subject to import duties,* and in that year the duties on four were reduced. In 1842 duties were reduced on 769 articles; in 1843 on nine; and, in 1844, on a further seven, while those on four were repealed. But in 1842, in consequence of an alteration made, under which certain ad valorem duties were changed into specific duties, the number of subdivisions was increased, and by 1844 the articles subject to duty had increased to 1098. Then came simplification by means of abolition. In 1845, while 31 duties were reduced, no less than 522 were repealed; in 1846 a further 216 duties were reduced and 79 repealed. To sum up, Peel found the tariff with over a thousand articles subject to duties, and left it with but half the number; the total number of duties reduced by him was 1,035, the total number entirely repealed 605—duties for the most part on articles which concerned the food, the clothing, and the comfort of the people, or which, as levied on the raw material of manufacture, affected employment.

The total amount of taxes imposed in the five years amounted to £5,660,000 a year, the total amount repealed or reduced to £8,150,000 (of which $6\frac{1}{2}$ millions were customs duties), a balance of remission of just under $2\frac{1}{2}$ millions a year.† The burden of

* In 1660 the customs list consisted of 1,630 articles; in 1787 of 1,425; reduced by 1826 to 1,280; and by 1840 to 1,046. See, for the above figures, the very interesting table given in the Report of the Commissioners of Customs, 1870 (C. 148, out of print), as well as their Report for 1857, and subsequent Annual Reports.

† These figures, of imposition and remission are taken from official returns (Report of Com. Customs, 1857; Report Com. Inland Revenue, 1857; *P. P.* 511 of 1858, &c.). It should be noted that the reduction of the prohibitory duties on foreign slave grown sugar (accomplished by the Whig Government after Peel's resignation) increased the revenue by £416,000, and this sum ought to be deducted from the £8,150,000 in order to show the net reduction of taxation.

The remissions and reductions each year, including that on sugar, were as follows (in round numbers):—In 1842 imposed £5,640,000, reduced £1,590,000. In 1843, imposed a few thousands, reduced £410,000. In 1844, imposed nil, reduced £460,000. In 1845, imposed, £24,000, reduced £4,540,000. In 1846, imposed nil, reduced £1,150,000.

taxation had been rendered more equal by the increased imposition of direct taxation.

Peel's object had been, as he said in 1842, to "revive commerce and effect such an improvement in the manufacturing interests as would re-act on every other interest in the country," and his object had certainly been attained. Trade, reviving, had met him more than half way, and the tax revenue had risen from a gross sum of just over $50\frac{1}{4}$ millions in 1841 to 55 millions in 1846, an increase of over $4\frac{1}{2}$ millions; which, allowing for the remissions of taxation, meant a recovery of over 7 millions sterling in five years.

Peel had come into office to find the finances burdened with the weight of accumulated deficiencies, and with the depressing expectation of a further large deficiency in the coming year. He left office with the accumulations considerably more than paid off, and with the finances in such good order that in the year a surplus of $2\frac{3}{4}$ millions was realized. Credit had revived. Commercial and financial confidence had been restored. The Funds, which in 1841 had been as low as 89, rose in the autumn of '44 to above par, and in the summer of '46, stood very nearly at par. Thus in every way the commercial and financial policy of the time had worked to the advantage of the trade, credit, commerce, and financial stability of the country.

CHAPTER IV.

THE CORN LAWS.

1846.

THE very earliest Corn Laws—those dating from just after the Conquest, and lasting for some 400 years—were imposed with views exactly the opposite to those which actuated the supporters of later corn laws. The object was not then to keep up, but to keep down the price of corn, in order to prevent dearth; and, with this view, exportation alone was prohibited,* while importation was substantially free.

These views were held at a time when the “rent” was paid in kind. But, as the custom began to prevail of paying the rent in money, the income of the landowner came more and more to depend on the price of corn, and gradually the views of the ruling classes altered, and the law was changed. About the middle of the fifteenth century, import was allowed only when corn was above a certain price, while export was allowed when it was below a certain price. By about the middle of the seventeenth century, and especially after the Corn Law of 1670, which practically prohibited the import of corn,† the old theory of the corn laws was entirely reversed, and the system of protection of the agricultural interest that prevailed for the two succeeding centuries came into play. Thenceforward, the corn laws were imposed for political and social, not for fiscal purposes; not

* “In 1197, it is recorded that there was a great famine and mortality in England. The King found some ships at St. Valeri, full of corn, exported from England; he ordered all the people belonging to the vessels to be hanged, and sent the corn back.” *Financial Reform Tract*, No. 28, 1880.

† The import duty was 16s. under 53s. 4d. (below that price corn was prohibited), between that price and 80s. the duty was 8s.; above 80s. importation was free. When corn was below 53s. 4d. exportation was permitted on payment of a duty of 1s.

with a view to the revenue, but with a view to the maintenance of the price of corn.

It was not unnatural, perhaps, that landlords—the representatives of that interest which was in those days the main prop of English industry—who then ruled the roost, should believe that high rents meant national prosperity, and that it was to the benefit of the nation in general, as it was clearly to that of themselves in particular, that the growth of corn should be encouraged. And, indeed, their motives were not entirely selfish. The theory of the “Balance of Trade” (of which we have already spoken) still maintained its sway; and it was thought to be to the commercial interests of the country that the import of corn—which would have to be purchased with gold!—should be discouraged, and the export—which would in return bring the precious metal into the country—should be encouraged. Again, a belief was firmly held (Peel himself was much influenced by it) that it was essential, in order to guard against the contingencies of war, that the produce of the country itself should be sufficient for its wants, and that, for the necessary of life, it should be in no way dependent on foreign nations for its supplies.

After the accession of William III. the export duty was repealed, and a bounty on export was given instead,* and for a time the export of corn was considerable; indeed, it was not until 1788 that the imports permanently exceeded the exports. In 1773, the restrictions on import were very much relaxed.† But this law was not thought to be stringent enough, and in

* Between 1740 and 1751 a million and a half sterling was paid in the form of an export bounty. In 1791, and in some few subsequent years, so deficient were the home harvests that a bounty on import was given. In 1795, so great was the scarcity of wheat—it reached in that and the following year the unprecedented average price of 75s. to 78s.—that “many persons entered into a voluntary agreement to diminish by one third the consumption of wheat in their families;” and a law was passed that no bread should be sold until it had been out of the oven for at least twenty-four hours. See Ashworth’s *Cobden and the League*, 2; Pellew’s *Life of Lord Sidmouth*, i. 156.

† The scale previous to 1773 provided for a duty of 21s. 9d., at or below an average price of 53s. 4d.; between that and 80s. the duty was 8s.; above 80s. it was 1s. 4d. By the scale of 1773 there was prohibition below 48s., and above that the duty was 6d. a quarter only. The bounty given on exportation was 5s. up to 44s., after which exportation was forbidden. The bounty was finally abolished in 1814. The total average bounty paid between 1740–50 was £150,000 a year. See for these figures and others given, *Adam Smith*, pp. 232, 509, &c.; McCulloch, *Com. Dict.*, “Corn”; Tooke, *Ency. Brit.*, “Corn”; Porter, 139–54; *Statistical Abstracts*, &c. Throughout the figures given refer to wheat; the duties on other descriptions of grain were proportionately less.

1791, Pitt introduced a fresh corn law, which was intended to prohibit the importation of foreign corn when the average price was below fifty shillings. Considerable discretionary power of permitting importation was, however, vested in the Crown, and freely used.

A few years later, war and unproductive harvests combined, forced up the price of corn to a very high level,* with the result that thousands of acres of inferior land were brought under cultivation, while on all land the rent was enormously raised.† Even before peace came, the landowners and the farmers were clamouring for an improved corn law which should raise still further the minimum price at which corn might be imported. In 1804, a considerable "improvement" in the law was made,‡ but when, in 1814, a further agitation was attempted, popular opinion was adverse. With final peace came the fear of a great and sudden fall in the price of corn, and so in rents. The farmers were afraid lest, through a fall in prices, they should find themselves unable to meet their engagements. The "country gentlemen" declared that the inferior lands could not be cultivated unless the price of corn were kept up to ninety, a hundred, or even a hundred and twenty shillings a quarter. They were, in the words of Byron's savage satire :

" The last to bid the cry of warfare cease,
The first to make a malady of peace.
For what were all these country patriots born ?
To hunt, and vote, and raise the price of corn ?

The peace has made one general malcontent
Of these high-market patriots ; war was rent ! "

Ultimately Parliament, for the protection of vested interests, made an attempt to maintain the price at a war level. And,

* In 1796 the price of corn fluctuated between 122s. and 56s., the average price being 78s. In January, 1801, the price rose to 139s., and before the autumn it rose to 180s. "The quartern loaf was for four weeks as high as 1s. 10½d." See Porter, p. 452. In 1810 the average price was 106s. ; in 1812, 126s. 6d. ; in 1815 it was 65s.

† The number of acres enclosed from 1800-9 was 1,550,000, from 1810-19 the same, and from 1820-29, 375,000. The average price of wheat during the first period was 82s. 2d., during the second 88s. 8d., and during the third 58s. 5d.

‡ The rent of agricultural land in Scotland was increased during the war from two to five and a quarter millions. Mackenzie's *The Nineteenth Century—A History*, p. 205.

§ Pitt's scale had been as follows :—Below 50s., a prohibitory duty of 24s. 3d. ; from 50s. to 54s., 2s. 6d. ; above 54s., 6d. a quarter. The scale of 1804 raised the 50s. limit to 63s., from 63s. to 66s. the 2s. 6d. was charged, and above 66s., 6d.

not without bloodshed, the "new Corn Law" of 1815, under which all importation was prohibited when the average price of British corn was below eighty shillings a quarter,* was forced on the country.

It was fully hoped and believed that the Corn Laws of 1815 would keep up the price of corn and maintain it steadily at about four pounds a quarter. But, like all legislative interference in fiscal matters, it failed in its object. The price was not maintained, and the fluctuations exceeded anything that had gone before.†

The corrective of a large area and an extended market in maintaining regular prices, was entirely lost by the limitation of production to the British Islands. The supply of corn produced within so limited an area would of necessity either exceed or else fall short of the demand. In one year there would be a great surplusage, and the price would fall disastrously for the farmer: in another, there would be a great deficiency, and the price would rise disastrously for the consumer. The price, depending as it did on the varying condition of the home crop,‡ was ever fluctuating; and, so soon as a bad home harvest forced the price of grain above the point of prohibition (as in 1817 and 1818), foreign corn was poured into England. Thus there was, as Canning

* A price some seventeen shillings higher than that of the existing corn law.

The mode in which the average price of wheat was obtained for the purposes of import and duty was as follows:—If the average price of British corn, as found by the market price in different localities, in the six weeks immediately succeeding the fifteenth of February, May, August, and November of each year, had been below 80s., no foreign corn was allowed to be imported during the following quarter; if above, it might come in. The same system of obtaining the average price was followed under the sliding scale.

† The highest average price of wheat between 1815–28 was 96s. in 1817, and the lowest 44s. in 1822. In 1816, the price of wheat fluctuated between 52s. 6d. and 103s. In 1817, between about 74s. and 111s.; in 1822, it fell at one time as low as 38s.

From 1801–10 the imports averaged 600,000 quarters a year. In 1815, when the average price fell to 65s., there were no foreign imports. In 1817 and 1818, almost famine years, when the price rose to 96s., the imports amounted together to two and a half millions of quarters. The price then fell very considerably below 80s., and between 1819–24 the imports almost ceased, in 1821 only two quarters being imported, and in 1822 none at all. Between 1826–31, the harvests were deficient, and the price of corn rising, the imports, encouraged under the sliding scale of 1829, attained considerable proportions, as much as 1,700,000 quarters being imported in 1830. Between 1832–6, the harvests being excellent, and the price of corn low, importation again fell. Then came a turn, the harvests again failed, and the price rose to 70s. a quarter in 1839. Between 1839–42 the imports averaged over two and a half million quarters a year; in 1843 and 1844 nearly a million; in 1845 only 315,000. Then in 1846 the imports rose to three millions, and in 1847 to over four and a half millions.

‡ See Tooke, vols. ii. and iii., many instances.

once said, "a perpetual series of alternations between a drought and a deluge." * These sudden imports had not moreover been anticipated or paid for by corresponding exports, and great disturbance to trade, and to the money markets, inevitably followed both at home and abroad. Again, the limitation of the market, and the belief that the price of corn could be artificially maintained at a high figure, naturally led to enormously increased production, which, in its turn, rapidly drove down the price. Discouragement ensued, tillage gave place to pasture, and the supply being checked, prices again rose, and again production was encouraged, with the same result as before—prices ever finding a lower level, and much capital being wasted in the process.

In spite of its protection, the agricultural interest never ceased to complain of the grievous evils from which it suffered. So in 1822, a slight attempt was made, while maintaining the price, to check the serious evil of sudden imports, by the reduction of the limit of prohibition from 80s. to 70s., and the imposition at this latter figure of a considerable duty, diminishing as the price rose.

In 1826,† a great scarcity induced Ministers to admit half a million quarters of wheat (and other grain in addition) at reduced duties, and it became evident that the existing system must be amended. In 1827, Canning's Government undertook a reform of the law, and, by means of an improved "sliding scale," attempted to obviate the great fluctuations in price, and the evil of sudden large imports. The Duke of Wellington, however, who had been a party to the preparation of the scale when the Liverpool Government was still in existence, now—the only occasion, perhaps, on which the Duke allowed party spirit completely to overcloud his sense of right;—so strongly condemned the pro-

* *H.*, March 1st, 1827.

† It must have been of this occasion that Charles Greville (1st S., i. 272) notes in his diary, in 1830, "I remember once before, a council was put off because I was at Egham for the races. This was a council in '27, I think, to admit foreign corn."

This occurrence might well have served Greville as the text for one of those remorseful homilies upon the evils of horse racing, as carried on by the Clerk to the Privy Council, with which he usually concludes his account of a bad fit of the gout, or an unsuccessful visit to Newmarket.

‡ See Stapleton's *Canning*, pp. 318—337; and Wellington's letter to Huskisson of March 28th, 1827, *Despatches*, N.S., iii. 612. Greville tells the story of Aberdeen's complimenting the Duke on his "Despatches," whereupon he said, with the greatest simplicity, "It is very true; when I read them, I was myself astonished, and I cannot think how the devil I could have written them" (2nd S., i. 47).

posal, that the Bill was thrown out in the Lords. But after Canning's death, and the Duke's accession to office, his own Government re-introduced substantially the same proposals—though not quite so good—and the “new scale” was passed in 1828. Under this scale prohibition was abolished, and corn could be imported at a duty varying inversely with the price—the lower the price the higher the duty, the higher the price the lower the duty.

But the sliding scale itself introduced a fresh evil. The duty, as it approached the upper end of the scale, rapidly diminished; and when the price of corn was rising, it was to the advantage of the dealers* to keep back their stocks, with a view, not only of raising the price, but of thereby importing the corn at a lower rate of duty. Thus scarcity was aggravated; and, *vice versâ*, when a fall in price was anticipated, the dealers hurried in their supplies in order to obtain the higher price, as well as to avoid the larger duty; the market became still more overstocked, and the price rapidly fell.† Thus the risks incurred through the uncertainty and fluctuation of price, caused by the duty, were so enormous as to make even perfectly legitimate trading very speculative, and greatly to injure and hamper business.‡

The sliding scale, like the old fixed duty, was intended to secure to the farmer a constantly remunerative price. But—as Tooke points out—“instead of the 64s. or even 60s., which they were taught to expect by their landlords, who had been instrumental in obtaining the law (and who had regulated their rents accordingly, as a great concession, from 80s., which had before been their standard), they found they were obliged, after

* In the time of Edward VI. the trade of corn dealers and distributors was illegal. The middlemen, it was thought, would “corner” corn, and would cause artificial fluctuations and rise in price. The consumer had therefore, at whatever inconvenience, to go direct to the farmer for his supplies. This law, though it had long fallen into practical disuse, was not finally repealed until 1772.

† In September, 1838, says Tooke (iii. 30), the aggregate average price of six weeks came to 73s. 2d., “when suddenly, in the single week, 1,513,000 quarters of wheat and wheat meal were liberated, at the low duty of 1s. the quarter.” The price at once declined from 77s. to 61s. 10d.

‡ For instance (to take the case quoted by McCulloch, *Adam Smith*, p. 516), a cargo of wheat is commissioned when the price of wheat is 71s. per quarter, meanwhile, before it is delivered, the price falls to 68s., and the duty consequently rises at once from 6s. 8d. to 16s. 8d. a quarter. Thus, with a variation of price of wheat itself of only 3s., the merchant realizes 13s. a quarter less. On the other hand, if the price had risen, the merchant would have made a large and unexpected profit. (See also Tooke, iii. 34, &c.)

feverish state of high but rapidly fluctuating prices between 1828 and 1831, to submit to a nearly progressive decline, protracted through five successive seasons, of no less than 50 per cent. in the price of wheat—from 75s. in February, 1831, to 36s. in January, 1836.* Thus, the “sliding scale” in no way improved the position. Instead of obviating extremes of price, it led to great and rapid fluctuations injurious to trade, bad for the farmers, and disastrous to the consumer; especially to the working man, who could never with certainty anticipate how far his wages would go in providing his family with the necessary of life.†

So the matter stood, when, in 1841, the Whigs, in their frantic efforts to retain office, declared for a fixed duty of 8s. a quarter in substitution for the sliding scale. But the introduction of their proposed fixed duty would have brought but little improvement. The duty would have been too heavy a burden when the price of corn was high; it would have been too low for protective purposes when the price of corn was low—and the corn laws were nothing, if not “protective.” Indeed, between the sliding scale and the total repeal of the corn laws, there was, as the Whigs soon found, no halfway-house; and after a judicious interval, Lord John Russell, in his Edinburgh Letter of 1845, threw over the fixed duty, and declared for free imports.

In 1843, Peel—still a protectionist, at least in the matter of corn—had revised the “sliding scale,” with a view to diminish the fluctuations in the price, by making the scale vary more

* *History of Prices*, iii., 20.

† The great fluctuations that occurred in the price of wheat can be seen from the following table:—

In 1828	highest	76s.	;	lowest	51s.	;	difference	49	per cent.
„ 1829	„	75s.	„	55s.	„	37	„		
„ 1830	„	74s.	„	55s.	„	35	„		
„ 1831	„	74s.	„	59s.	„	27	„		
„ 1832	„	63s.	„	51s.	„	24	„		
„ 1833	„	56s.	„	49s.	„	14	„		
„ 1834	„	49s.	„	40s.	„	22	„		
„ 1835	„	44s.	„	36s.	„	22	„		
„ 1836	„	60s.	„	36s.	„	68	„		
„ 1837	„	60s.	„	51s.	„	17	„		
„ 1838	„	78s.	„	52s.	„	49	„		

Between 1836 and 1839 there was a difference of 116 per cent. between the highest and lowest prices.

Canning, when introducing his proposals, had expressly advocated them on the ground that they would “tend to equalize the prices, and keep that equalization of

gradually and evenly with it.* But the Corn Laws were rapidly becoming an anachronism, and, day by day, it was becoming more and more evident that the supposed interests of the agriculturists were antagonistic to those of the nation at large. "The history of agricultural abundance" was, in those days, as has been well said, "the history of agricultural distress." Thoughtful men had begun to recognise that an artificial interference with the price of food could not much longer be maintained. Such a system had been possible so long as the landowning and farming interests were predominant; and so long as they could persuade Parliament that their protection was essential to the welfare, safety, and social order of the nation at large.†

But for some time past the predominance of the landed interest had been on the wane.‡ Since the beginning of the century, the manufacturing interest had gradually been increasing out of all proportion to the agricultural interest, in numbers, in wealth, and in influence. The iron trade, the coal trade, and the cotton trade, had risen to importance within the last fifty years. The iron industry, which at the beginning of the century was producing only between 200,000 and 300,000 tons of pig iron, by 1835 had increased its production to a million, and by 1844 to nearly a million and a half.|| The quantity of coal shipped had risen

prices steady. The market will, indeed, assume such a steadiness, that, instead of a fluctuation between 112s. at one time and 38s. at another, the vibrations will probably be found to be limited within the small circle of from about 55s. to about 65s. The plan will provide against the mischief arising from sudden gluts in the market at one time, and sudden dearths compelling us to legislate occasionally in contradiction to our general system of legislation at another." (*H.*, March 1, 1827.)

* The difference between the two scales will be seen from the following:—

OLD SCALE (somewhat altered since 1828).

At 40s. duty,	46s. 8d. ;	at 50s. duty,	36s. 8d.
At 55s. „	21s. 8d. ;	at 60s. „	26s. 8d.
At 65s. „	21s. 8d. ;	at 70s. „	10s. 8d.
At 72s. „	2s. 8d. ;	at 73s. (and above),	1s.

NEW SCALE.

At 50s. (and below) duty,	20s. ;	at 55s.,	17s. ;	at 60s.,	12s.		
At 65s.,	7s. ;	at 70s.,	4s. ;	at 72s.,	2s. ;	at 73s. (and above),	1s.

† Arthur Young had written in 1771:—"If ever unfortunate questions should be started, in which a preference must be given to one, none but a fool can imagine, that the landlords of this great empire, of above four score millions of acres, are to yield to the transitory sons of trade and manufacture." *Farmer's Tour*, iv. 362.

‡ "In 1685 the produce of the soil (in England) far exceeded the value of the other fruits of human industry." Macaulay, i. 243.

|| Porter, p. 584. See an interesting account of the rise and growth of the "Iron trade and allied industries," by Sir Lowthian Bell, in *Reign of Queen Victoria*, ii.

from four millions and a quarter tons in 1819, to over nine million tons in 1844.* The change that had taken place in the processes of cotton and woollen manufactures had concentrated labour. A change marked by the fact that even as early as the beginning of the century, Parliament had thought it necessary to interfere in the regulation of labour, first in the cotton factories, and subsequently in other factories and in mines. Towns such as Manchester, Liverpool, Glasgow, and Blackburn, had in the last fifty years sprung from stagnant townships into active and populous centres of industry. Every year was adding to their population and rateable value.† In 1831, out of a population of $16\frac{1}{2}$ millions, 1,243,000 adults were employed in agriculture. In 1841, out of a population of $18\frac{3}{4}$ millions, 1,200,000 only were so employed.‡ Well might Sir James Graham say, in 1843, that from an agricultural the English had become a commercial people.

The change had been clearly marked in 1832, by the transference under the Reform Act of a considerable amount of representation from the landowners to the growing industrial centres. By widening the basis of representation that Act had moreover given to the people a greater interest in, and a greater knowledge of political questions,—and the Corn Laws could not stand discussion.

Then, as population increased, and the demands for food gradually outstripped the capabilities of home supply, the vexatious interference of the Corn Laws with the importation of food, grew more and more apparent and irksome. Again, means of communication were day by day increasing, and sources of supply abroad were multiplying; the danger of famine or scarcity in time of war was becoming less and less of a bugbear.

The fiscal changes that had been made, the gradual approach to freedom of trade, logically led to further changes in the same direction. Why, it began to be naturally asked, should one branch of industry remain strictly and heavily protected, while

* Porter, p. 281.

† The population of Manchester and Salford together numbered in 1774, 27,000 persons; in 1801, 90,000; in 1831, 183,000; and in 1841, nearly 300,000. That of Blackburn trebled in the first forty years of the century. Liverpool in 1801 contained a population of 78,000 persons, in 1831 of 165,000, and in 1841, 223,000. Glasgow in the same periods had risen from 77,000 to 200,000 and to 274,000. See McCulloch, *Com. Dict.*, *Ency. Brit.*, "Manchester," &c.

‡ Porter, p. 61.

the protection formerly enjoyed by the others had been almost swept away?

Moreover, while other branches of industry had palpably benefited by the changed order of things, the position of the agricultural interest, in spite of the protection it enjoyed, had seldom been otherwise than deplorable. The agriculturists,—"agriculturasses," as Cobbett was fond of calling them,—had over and over again come to Parliament "whining for protection"; their distress had been a constant theme of resolution, discussion, and inquiry, and more than once had taken a prominent place in the Speech from the Throne.

Finally, a considerable breach had already been made in the wall of corn-protection by the permission given in 1843 for the importation of Canadian corn at a merely nominal duty. It seemed scarcely logical to allow Canadian corn, and therefore American corn at but little more, to be introduced at a low fixed figure, while charging on all other corn an enormous and prohibitory duty.*

Thus, the power of the landed and agricultural interest had been diminishing, and it was becoming more and more questionable whether it were to the advantage of the country artificially to bolster it up: † opinion was rapidly ripening for a radical change

* The limit and the duty on Canadian had always been lower than that on foreign corn. In 1815, for instance, the limit of prohibition was 67s. instead of 80s. In 1825 the duty was fixed at a uniform charge of 5s. per quarter whatever the price in England. At that time Huskisson estimated that the quantity of wheat that Canada could then supply did not exceed 50,000 quarters, the Canadian wheat now annually imported amounting to some 711,000 quarters (1886, *P. P.*, 290 of '87). The 5s. duty was reduced in 1843 to 1s. But the Canadian import duty on corn was itself only 3s., so that American wheat could be sent through Canada to England at a duty of but 4s. As a matter of fact, however, this roundabout trade had scarcely developed before the Corn Laws disappeared.

† McCulloch (*Adam Smith*, p. 524) estimates that the extra average annual amount paid by the consumer in 1840-6 in the price of his corn, consequent on the increased price due to corn laws, amounted to nine millions, and of this, he asserts, only £1,800,000 to £2,250,000 went as extra profit to the farmers and landowners, the rest being swallowed up by the extra labour and capital employed in bringing into cultivation inferior lands, which would not otherwise have been cultivated. Thus, the consumer lost nine millions and the producer only gained about two. In his *Com. Dict.*, "Corn," however, he estimates that, under the improved Corn Law of 1843, the total annual loss to the consumer, after allowing for the corn which did not come to market, was £4,500,000, and the gain to the landlords only £900,000.

Mr. Deacon Hume, in his evidence before the Import Committee of 1840 (Q. 122-8), estimates that the public were "paying as effectually out of their pockets as if it did go to the revenue in the form of direct taxes," no less than £36,000,000 a year on account of the protective duties on corn, butchers' meat, and other agricultural produce.

in the relations of the State to the land. Moreover, that “gregarious collection of cant and cotton men,”* as its enemies were pleased to designate the “League,” had become a great fact, and a great power in the State.

All this had been gradually permeating the mind, not only of many irresponsible persons, but of the man on whom rested the responsibility of ultimate decision. Peel’s conversion, by his enemies proclaimed a sudden one, was in reality the growth of years, and the result of much painful thought and hesitation. Gradually, very gradually, he had become convinced that it was not to the interest, either of the agriculturists themselves, still less of the country generally, that the price of the principal article of food should be artificially maintained.

As long ago as 1834, he had stated specifically in a letter to Croker, that he did not wish in any way to rest the support of the Corn Laws on the “invidious and startling argument—that the landed interest, as the most important, ought to be a favoured class, for the benefit of which the rest of the community may properly be taxed.” He desired rather to rest the case on the argument that the Corn Laws were but, a “part of a whole system of restrictions intended equally to favour domestic produce and domestic manufacture.” The country was “equally bound to repeal all duties intended not for revenue but for protection, and the manufacturers, if they succeed in repealing the duty on foreign corn, must be at once prepared for the repeal of every protecting duty whatever.” “But,” added he, “it does not follow that, even if the duties on manufactures were repealed, that on corn should also necessarily be repealed, for the question of the apportionment of the public and local burdens must be considered;” does not the land bear more than its fair charges? and if it does, the land is entitled at least to a protection equivalent to the excess.†

In later years, Peel had more than once openly declared, that in his opinion, apart from a small duty on foreign corn, which should be imposed as an equivalent for “the special burdens borne by the agriculturists,” additional protection could

* *Times*, Nov. 18, 1843.

† Croker, ii. 222.

only be vindicated on the ground, that it was for the interests of the country generally.*

This had been his position, and he himself, after the event, thus described the influences that weighed with him in taking the momentous decision of 1845.

"It was from the combined influence of these various considerations—from diminished confidence in the necessity or advantage of protection; from the increasing difficulty of resisting the application to articles of food of those principles which had been gradually applied to so many other articles; from the result of the experiment made with regard to cattle and meat in 1842; from the evidences of rapidly increasing consumption; from the aggravation of every other difficulty in the maintenance of the Corn Laws, by the fact of their suspension on the first real pressure—it was from the combined influence of such considerations that I came to the conclusion that the attempt to maintain those laws inviolate after their suspension would be impolitic; that the struggle for their maintenance would assume a new character, and that no advantage to be gained by success could counterbalance the consequences of failure, or even the evils attending protracted conflict."†

There can be no finality in legislative reform. One advance of necessity leads to another. The stepping-stone of further progress is formed by the definite acceptance of past action. The logic of his own actions of earlier years, would have inevitably led Peel to their ultimate and irresistible conclusion—the abolition of all protective duties of whatever nature. He had put his hand to the plough, and, come what might, he would not have looked back. And there is little question, but that he would in any case have gradually educated his Party, as he had educated himself, into a belief in the necessity, first of the reduction and then of the abolition of the tax on corn, had not the sudden failure of the crops precipitated matters and forced his hand.‡

By 1845 the repeal of the Corn Laws was, famine or no famine, only a question of time, though it is certain that a continuation of

* "I believe that, on the general principle of free trade, there is now no great difference of opinion, and that all agree in the general rule that we should purchase in the cheapest market, and sell in the dearest." Then had come significant "cheers." "I know," said Peel, "the meaning of that cheer. I do not now wish to raise a discussion on the Corn Laws or the Sugar Duties, which I contend, however, are exceptions to the general rule." Peel, *H.*, May 10th, 1842.

† "Tamworth Address," July, 1847, quoted in his own *Memoirs*, ii. 105. See Lord Aberdeen's remark to the Queen in 1846 (*Prince Consort*, i. 313).

‡ "Men, and the conduct of men, are much more the creatures of circumstances than they generally appear in history." Peel to Lord Stanhope, Memo. on Walpole, *Stanhope's Miscellanies*, pp. 89, 90.

good harvests would have somewhat delayed the "bagman's millennium," just as the bad harvests did in fact quicken its consummation. The beneficial result springing from the freedom of trade granted in other directions, combined as they were with good harvests had, during the earlier months of 1845, made the question of the Corn Laws appear of less moment than it had appeared a year or two before, when the state of the country was so deplorable.* Indeed, the League themselves had become somewhat discouraged, just at the moment when success was really within their grasp.†

The year 1845, fiscally most encouraging and satisfactory, agriculturally was most disastrous. Cobden had once prophesied that "three weeks of showery weather, when the wheat is in bloom, would repeal the Corn Laws," and his words were coming true. The harvest completely failed both in England and Ireland, and largely on the Continent too, and in Ireland there was super-added the potato blight, reducing a large portion of the country to the verge of starvation. A wail of distress rose from one end of England to the other. "Famine, against which we had warred, came to our aid," said Mr. Bright, in after days.

The Prime Minister was alarmed.‡ After consultation with Graham, the Home Secretary, who cordially agreed with him on the necessity of taking prompt action in order to avert scarcity or even famine, he called his Cabinet together in the end of October.¶ He then warned his colleagues that the question of a modification of the Corn Laws was imminent, and proposed to them the

* Compare Morley's *Life of Cobden*, a book in which the story of the somewhat prosaic life of a political commercial traveller is invested with all the charm of an inimitable style.

† "The close of the session of '45," says Mr. Disraeli, with pardonable exaggeration, "found them (the League) nearly reduced to silence. Low prices, abundant harvests, and a thriving commerce had rendered appeals . . . a wearisome iteration. They lost at the same time elections and the ear of the House."—*Life of Lord George Bentinck*, p. 2. My readers will readily pardon me for quoting in this chapter very freely from this most humorous of political biographies, even if they cannot always feel, with the author, that it combines "the accuracy of the present with the impartiality of the future."

‡ The Duke, in his usual laconic and forcible style, said in January, 1846, that "rotten potatoes have done it all; they put Peel in a d——d fright."

¶ See for the history of the crisis, especially Peel's own *Memoirs* (edited by Stanhope and Cardwell, 1858) vol. ii.; Morley's *Life of Cobden*; Montgredien's *History of the Free Trade Movement*; Ashworth's *Cobden and the League*; Sir James Graham, *Life*, ii.; Alison's *History*, &c., &c.

temporary suspension of the Corn Laws, in order freely to admit corn; a "suspension" that, it was clear, would almost certainly sooner or later spell "repeal." Graham, Sidney Herbert, and Aberdeen, were at first alone convinced of the necessity and advantage of taking this tremendous step. The rest of the Cabinet were not yet prepared for the inevitable, and decision was postponed from week to week. Matters became worse, and Peel, more and more thoroughly convinced that immediate action must be taken, continued to urge on his colleagues the necessity of suspending the Corn Laws, and of following up the action by a proposal to Parliament radically to modify the existing system. But his plea for prompt action was met by further delay; definite conclusion was postponed. The Cabinet was in fact hopelessly divided on the subject, but, desiring if possible to keep together, were not as yet ripe for resignation.

Meanwhile, the early and frequent meetings of the Cabinet had made it clear to the public that the Government were perturbed; and the reason for their perturbation was not far to seek. Now was the time for the Whigs;* and "with no false delicacy for a Conservative Cabinet in convulsions," Lord John threw over the fixed duty, as "no longer worth while to contend for," and declared for the unqualified repeal of the Corn Laws.† Such a declaration by the leader of the Opposition naturally brought matters to a crisis. Continued inaction on the part of the Government was no longer possible,‡ and the Prime Minister announced to his colleagues that, in his opinion, it was essential that the Government should call Parliament together, and propose to them a measure that would "ensure the ultimate and not remote extinction of protective duties" on corn.¶ But a minority of the Cabinet was still unconvinced of the need,** and Peel, feeling that, under these circumstances, he might not be able to carry through his proposals, and believing that the public interest would be very seriously injured by his failure, resigned.††

* Edinburgh Letters, Nov. 22nd, 1845.

† *Bentinck*, p. 19.

‡ Peel in his *Memoirs* (ii. 179) declares that his conduct was not influenced by Russell's letter; but the Whig pronouncement cannot have failed, consciously or unconsciously, to have accelerated matters, if nothing more.

¶ Dec. 2nd., 1845. *Memoirs*, ii. 219. See also *Cabinet Memos.* of Nov. 26th and 29th, pp. 182, 185.

** Lord Stanley and the Duke of Buccleuch alone actually dissented, but the assent of others was very reluctantly given. See *Memoirs*, ii. 221.

†† Dec. 5th.

Then that party who, with the zeal of converts to a new-found faith, were clamouring for Free Trade, were called upon to form a Government to carry out their doctrine. But Peel, not unnaturally, refused to pledge himself unconditionally to support Russell's measure, whatever it might be; and family dissensions arising among the potentates of the Whig party—Grey's dread of Palmerston at the Foreign Office, and Palmerston's refusal to accept any other post—enabled Lord John, "availing himself with happy readiness of the distressing incident, . . . to hand back with courtesy the poisoned chalice to Sir Robert."* So Peel had, perforce, to come back to office, and to carry out that policy on which the country were now fully determined—the abolition of the Corn Laws.

Stanley † alone excepted, all his colleagues clave to him; such as were yet unconverted probably thinking, with the direct-minded old Duke, that "a good Government for the country was more important than Corn Laws, or any other consideration," and "that the only alternative to Peel resuming office, was that Her Majesty would be under the necessity of taking Cobden and Co. as Her Ministers!" Not, indeed, that many were now left to defend a statute which prevented the free importation of food at a time when famine was imminent. The nation had been converted in battalions, and baptised in platoons,‡ and if the conversion had been somewhat sudden, it had at least been pretty universal. With Peel, the nation at large was not ashamed to confess, that its opinions had been modified by experience; and the House itself, elected on a Protectionist platform, having repeatedly supported the Corn Laws by overwhelming majorities, now by a majority of 97, finally condemned them.

But the division was fatal to Peel. Already, before the Corn Laws came up, "he had forfeited the hearts of his adherents, though he had not lost their votes;" and now, deserted by many of his best friends, he had to depend for support on the votes of

* *Bentinck*, p. 34.

† His place at the Colonial Office was taken by Mr. Gladstone. The Duke of Buccleuch returned to office.

‡ Disraeli said of the Protectionists (*H.*, May 15th, 1846) that, like the Saxons of old, they "were converted in battalions and baptized in platoons. It was utterly impossible to bring these individuals from a state of reprobation to a state of grace with a celerity sufficiently quick."

his former opponents.* The Conservative party could not maintain the Corn Laws, but neither could they forgive the man who had now, as they considered, for the second time betrayed them. And, as soon as the Bill was safe, "they who," as Lord George Bentinck put it, "loved the treason which had recently been committed, though they hated the traitor," joined in opposition with those who abhorred both. An Irish Coercion Bill gave them the pretext they sought, and the very evening on which the Corn Law Repeal Bill passed its third reading in the House of Lords, the Minister to whom it was due, and with whose name it will be for ever associated, was hurled from place and power, never to return.†

Thus fell Peel's Government in what is now universally conceded to have been the accomplishment of a noble work. They fell, as Peel proudly put it, "in the face of day and with their front to the enemy."‡

* But he was manfully supported by many of the landed interest, in spite of the strain they believed he had put on their pockets, as well as on their principles. Lord Malmesbury said to Lord Palmerston, even as early as 1842, "Peel hit us a right-hander with his Corn Laws, and a hard left-hander with his income tax, and this measure about timber a regular facer." (*Bulwer's Life of Lord Palmerston*, iii. 99.) According to the analysis given by Mr. Harris in his *History of the Radical Party in Parliament*, on the division of March 2nd, 112 Conservatives voted for the Corn Bill and 231 against, 227 Liberals supporting it and 11 opposing it—majority for, 97 (p. 349.)

† June 25th, 1846. I cannot resist re-quoting that graphic descriptions of the division given by the later and more successful educator of the Tory party:—"It was not merely their numbers that attracted the anxious observation of the Treasury Bench, as the Protectionists passed in defile before the Minister to the hostile lobby. It was impossible that he could have marked them without emotion: the flower of that great party which had been so proud to follow one who had been so proud to lead them. They were men to gain whose hearts, and the hearts of their fathers, had been the aim and exultation of his life. They had extended to him an unlimited confidence, and an admiration without stint. They had stood by him in the darkest hour, and had borne him from the depths of political despair to the proudest of living positions. . . . They had been not only his followers but his friends; had joined in the same pastimes, drunk from the same cup, and in the pleasantness of private life had often forgotten together the cares and strife of politics.

"He must have felt something of this, while the Manners, the Somersets, the Bentincks, the Lowthers, and the Lennoxes passed before him. . . . They trooped on: all men of metal and large-acred squires, whose spirit he had so often quickened, and whose counsel he had so often solicited in his fine Conservative speeches in Whitehall Gardens. . . . When Prince Metternich was informed at Dresden, with great ostentation, that the Emperor had arrived, 'Yes; but without his army,' was the reply. Sir Robert Peel was still first Minister of England, as Napoleon remained Emperor for a while after Moscow. . . . 'They say we are beaten by 73!' whispered the most important member of the Cabinet, in a tone of surprise to Sir Robert Peel. Sir Robert did not reply, or even turn his head. He began to comprehend his position, and that the Emperor was without his army." (*Life of Lord George Bentinck*, p. 299.)

‡ Peel's parting speech, containing the well-known reference to Cobden and the eloquent appeal, to posterity, was delivered on June 29th, 1846. *II.*, v. 187 (3rd series), p. 1041.

For a few years more, the section of a party led by Bentinck went on fighting against facts, and hoping against hope, that the nation would re-impose upon itself the burden of protection. But facts proved too stubborn, and after the general election of 1852, after Lord George's quondam guide, philosopher, and friend, had not only himself introduced a "regular free trade budget," but had referred to the doctrines of protection as "obsolete opinions," hope disappeared. A Protectionist Ministry had declared for "unrestricted competition;" and the Protectionist party vanished into space. But the wrench had been terrific. The Conservative party, disorganised, discredited with the country, losing at once their leader and the ablest of his staff, for eight-and-twenty years wandered in the wilderness, rarely enjoying, even for a space, the sweets of office, never again obtaining real power until after the election of 1874.

The tax on corn—with the exception of the registration duty—came finally to an end in 1849.* In 1850, the average price of wheat was about 39s. to 40s. a quarter. For nearly five-and-twenty years the prices of all agricultural produce rose, while great improvements were made in the process of farming; and for the first quarter of a century after the final abolition of the Corn Laws, the complaints of the agriculturists were no more heard in the land.

The crop of 1875 was a poor one, and during the next eight years there were only two good harvests, while some, and notably that of 1879, were deplorably bad. These deficient harvests, combined with considerable losses of cattle and sheep, themselves destroyed much agricultural capital. Coincident with this, came a vast increase in the area of production of corn and cattle abroad, together with an extension of the means of communication, so great as to lead, by competition, to a rapid fall in the cost of transport, thus depriving the British farmer of that "natural protection" on which he had been taught to calculate.†

* The duty on corn was not finally repealed in 1846. It was to remain temporarily in force, at a reduced rate, until February, 1849, after which time only a registration duty of 1s. a quarter was to be charged, a duty repealed by Mr. Lowe in 1869.

† See Sir James Caird on "*Agriculture*" in *Reign of Queen Victoria*, ii. Evidence before, and Report of, Royal Commission on Depression of Trade, 1886; Annual Agricultural Returns of Great Britain, &c.

It is estimated (Caird, p. 151) that between 1851 and 1874 the capital value of

The wheat acreage in the United Kingdom in 1852, was, according to McCulloch, 3,750,000 acres; the acreage in 1867 (the first year of agricultural returns) was about 3,840,000 acres; in 1887 it was reduced to 2,390,000 acres. In 1867, the total cultivated acreage was about $23\frac{1}{2}$ millions of acres, of which 11,700,000 were under corn crops, 5,000,000 under green crops, and 6,800,000 under clover, flax, hops, &c. In 1887 the total cultivated acreage was the same, and but 9,700,000 acres were under corn crops, and 4,700,000 under green crops, while 9,000,000 acres were under clover, &c. In 1866,* 85 million cwt. of wheat and wheat flour and other corn and meal, were imported; in 1883 the amount had risen to 114 million cwt.; in 1886 it was but 100 million cwt.†

Free trade in corn and other agricultural products has been carried to its most rigorous conclusions; with the result that, though the agricultural interest has latterly suffered, at least the nation at large obtains its food cheaply and abundantly.

land and of the stock and crops upon it increased by no less a sum than £650,000,000. But a great deal of this—estimated at £42,800,000 for 1885, and at some £200,000,000 or more in all, has subsequently been lost. See David Wells, *Contemporary Review*, September, 1887. Report of Royal Commission on Depression of Trade, p. xix. Evidence, Q., 7675, &c. (C. 4715 and 4893), and Hastings Berkeley's *Wealth and Welfare* (1887). The assessments for the income tax under Schedule B, "in respect of the occupation of lands, tenements and hereditaments," rose from an annual value of 48 millions in 1849 to $63\frac{1}{2}$ millions in 1886, having been as high as $69\frac{1}{4}$ millions in 1877 (*Stat. Abstracts*). But all these income tax comparisons must be taken with caution, in consequence of the many changes of assessment and collection that have from time to time been made.

* Annual Agricultural Returns of Great Britain. Unfortunately these returns do not go further back than 1866. Sir James Caird states that in 1851 the cost of the wheat consumed, with a population of 27 millions, was £53,500,000; in 1885, with the population increased to 36 millions and with a consumption one quarter larger per head, the total cost was only £43,700,000. In other words, a larger number of persons were better fed at a diminished aggregate cost (p. 144, *Agriculture*). These great imports have of course vastly profited the shipping and dock trade of the country.

† The value of the total imports of food products, including sugar, but excluding "dried fruits," amounted in 1866 to 68 millions sterling, which rapidly rose, until in 1883 it attained its maximum of $157\frac{1}{2}$ millions sterling. Since then it has steadily diminished, and in 1886 amounted to but 113 millions sterling.

CHAPTER V.

THE WHIGS AGAIN.

1846—52.

PEEL was succeeded in June, 1846, by a Whig family party,* under the leadership of Lord John Russell, with Peel as their "crutch"—a rickety concern altogether, without a majority on which they could count in the Commons, and with an unfriendly House of Lords. Strong neither in personal ability nor in the support they received, the one strength of the Government lay in the fact that no one wanted to turn them out.

Peel and his followers, conscious that they could not form a Government themselves, supported Russell as the only alternative to a Protectionist Ministry, while the Protectionists on their side were not anxious to come into office in a hopeless minority. So, while Peel yet lived, the Whigs were secure in their places; and it was only after his death, four years later,† that the hopes of the Tory party revived, and they began to believe, either that a coalition with the Peelites was yet feasible, or that, perhaps, after all, the country was with them on the question of Protection,—hopes which, though subsequently doomed to disappointment, were sufficient, while they lasted, to foster the opinion and to encourage the feeling that the country could have enough even of a Russell Ministry.

The new Government were unfortunate from their start. In those days a bad harvest affected the revenue, and the condition of the people themselves, to an infinitely greater degree than is

* The Cabinet, "formed to represent the party of progress, did everything but represent it. It looked too much like a family party, to which the nearest and dearest friends of the Minister had been invited. The men who had fought the battle of Free Trade had no place in the Whig Council." (Walpole, iv. 291.)

† July, 1850.

the case now, when the commercial interest is proportionately so far more important than the agricultural. The harvest in 1846 was again disastrously bad in England as well as in Ireland—indeed, it was not until 1849 that good harvests began once more to prevail*—and, in order to enable enough corn to be imported, the immediate suspension even of the reduced and temporary duty, as well as of the Navigation Laws, was rendered necessary. The course of the Irish famine—one of the saddest chapters of our history—is too well known to require repetition. The year 1845 had been bad, but 1846 was far worse, the failure of the crops in Ireland in that year entailing a money loss alone of from sixteen to twenty millions;† and the famine rendered necessary an expenditure by the Government, in 1846 and 1847, of some ten millions sterling, in addition to a very considerable amount distributed in private relief.

But it was not famine alone that brought disaster. In consequence of, or side by side with, the great unshackling of commerce that had taken place in the last few years, there had been an enormous development and extension of the railway system, a rapid increase in the formation of financial and industrial companies, and considerable expansion in trade and business generally. Legitimate enough at the beginning, this activity had, as usual—for history, if it repeats itself in nothing else, repeats itself in financial panics—degenerated into speculation and over-trading, a state of things which, in 1847, received its inevitable check.

The actual collapse was due chiefly to the impossibility of meeting the enormous liabilities to which the country had committed itself. In the years 1840–3 the railway capital authorized

* Tooke, v. 8, &c.

† The estimated loss for 1846 on the potato crop—as given to the Government by Mr. Griffiths (afterwards Sir Richard)—was eleven and a quarter, and that on the oat crop, over four and a half millions. See Labouchere's Speech, *H.*, January 19th, 1847.

Three millions of persons were at one time receiving relief. A quarter of a million persons, at least, actually died of starvation or famine fever. In five years the population of Ireland was reduced from 8,300,000 to 6,500,000; nearly a million of persons emigrated to the States, to form that Irish Party in America whose bitter hostility to England has been so marked a feature in American politics.

See Sir Charles Trevelyan's very interesting personal narrative, published in the *Edinburgh Review* at the time, and since republished in pamphlet form; *Walpole's History*, iv. 296; McCarthy's *History of our own Times*, vol. i. chap. xvii.; Newspaper accounts of the time, &c.

had amounted to about eighteen millions, an annual average of under five millions. In 1844, the total capital authorized was eighteen millions; in 1845, sixty millions; in 1846, one hundred and twenty-four millions.* Few escaped the mania; and, while most of the lines were still in the air, and everyone was sanguine that their fortunes were about to be made, the value of shares continued rapidly to rise, and the great railway promoters were the heroes of the hour.†

But a rude shock was given to the popular optimism when the real outlay on the railways began, and a considerable portion of the capital subscribed had to be called up. The pinch began to be felt in 1846. Those—the majority—who had bought for the rise, and with no intention of holding, finding themselves less and less able to meet the continued and increasing calls on their shares, were forced to sell their holdings for what they would fetch. Shrinkage, once begun, is even more rapid than the inflation which it succeeds. But a short time before, everyone had wanted to buy, now everybody wanted to sell, and buyers there were none. Some railways, the shares of which had been at a premium, were actually abandoned. As to others, ugly rumours of fraud and peculation were afloat. The price of the stock even of the soundest lines fell disastrously. On the top of the collapse in the railway market, came a collapse in many of the numerous new joint-stock banks and other companies. Panic seized on all. The buoyant confidence of a short time before, gave place to feverish suspicion. The Bank rate of discount rapidly rose from 3 to 8, and even to 12 per cent. The price of Consols fell in a

* These figures are those given by Mr. Tooke in his *History of Prices* (iv., 314, &c.) The figures given by Sir S. Northcote, in his very interesting account of the crisis (*Twenty Years Financial Policy*, pp. 87 and 100), are not quite so high; and the figures given by Mr. Porter (*Progress of the Nation*, p. 327) differ from both. See also Mr. Humphry Ward's article, in the *Reign of Queen Victoria*, on "Locomotion"; Francis' *History of Railways*; Leoni Levi, *Manual of the Mercantile Law*; *Economist*, Oct. 21st, 1848; Speech of Chancellor of the Exchequer, H., Nov. 26th, 1847, &c. The cost of the principal railways (including purchase of land) at the time varied between fifty and fifty-five thousand pounds a mile.

† The most notorious of these was Hudson, the "Railway King." Lord Campbell (*Life*, ii. 217) relates that Hudson once said to him, "The old nobility, sir, are all paupers. I am going to-morrow to Clumber, where a large party of nobles is invited to meet me; but I could buy them all."

Greville, with a guileless innocence most unusual in him, mentions, as something new and strange, that "even ladies have been dabbling in stocks!" In one instance, says Walpole (iv. 18), there were "three competing lines before the House, yet, though it was obvious that only one of them could be passed, the shares of all three were quoted at a premium."

few months from 96 to 82,* and the inflation of '45 ended in the panic of '47. In October, the Government were reluctantly forced to consent to the temporary suspension of the Bank Charter Act of three years before, and to recommend the directors, if necessary, to increase the issue of notes, beyond the legal limit.† This action partially restored confidence, and the knowledge that the law could, if necessary, be broken, rendered infringement unnecessary.

Much positive loss and distress were occasioned by the absurd inflation and the subsequent collapse. But now, when losses and gains can be calmly balanced against one another, it is clear that the country as a whole was the richer for the vast impetus that was given at this time to the extension of railways and other means of communication, and that, like the inflation and collapse of 1826 and of 1836, though unlike the monetary crisis of 1857 and of 1866, the boom of 1847 was founded on a substantial basis of permanent value.

While England was suffering from commercial crisis and depression, foreign relations were strained, and Europe itself was in a most unsettled state. The climax came in 1848. Italy was in arms; the Pope a fugitive; Hungary in revolt; Metternich expelled from Vienna; Germany torn by revolution; Poland and the Peninsula disturbed. In France the citizen King, at once obstinate and weak, cunning and short-sighted, extravagant and parsimonious, trying to combine despotism and representative government, divine right with elective sovereignty, refused reform and made a revolution. The events of 1830 were re-enacted, though at first without the bloodshed. The King of France took off his wig—"in an instant," says Victor Hugo, "he was but an elderly tradesman" ‡—and he, whose supposed enmity had, but a few months before, caused an invasion panic in England, now sought her hospitable shores disguised as "Mr. Smith," and landed at Newhaven, the place which his sailor son had pre-

* In the second week of October, 1847, the bank rate of discount was 10 per cent., Consols at one moment touching 78, having been as high as 101 in 1847. On February 23rd, 1848, on the news of the French Revolution, they touched 79½. On the day of the Chartist demonstration (April 10th, 1848) they touched 80. By the beginning of 1851 they were again at 96, and by the end of the year, just before the *coup d'état*, they were at 99. See note, II. 20.

† Oct. 25th, 1847. See II. 14, for history of the Bank Act.

‡ *Choses Vues*, ii. 68.

viously picked out as the fittest for a descent on English territory.*

In England, the popular will prevailing in the Government of the country, the revolutionary storm passed harmlessly by. Physical-force Chartism, its monster petition driven to the House in three hackney cabs, spluttered out on Kennington Common. Physical-force Repeal found its end in a cabbage-garden.†

But the accumulation of political disturbances abroad helped to accentuate the distress at home. The craze and the crisis, the doubts and the dangers, enormously depreciated the value of many kinds of property. Employment, especially on railway construction, hitherto abundant, and highly paid, was checked; great and rapid fluctuations took place in the prices of articles of general consumption, and the revenue, that had been rapidly on the increase, again for a time declined. The distress was not confined to England and Ireland. Some of the Colonies, notably the West Indies, suffered from great depression—generally attributed to the recent admission and competition of foreign sugar into England—and, in 1847 and 1848, some £600,000 to £700,000 had to be voted for their relief.

Nor, indeed, was the general foreign policy of the Government between 1847 and 1851 calculated to allay apprehensions, or to tend to a reduction of expenditure to meet the decline of revenue. Lord Palmerston's policy of meddlesome "non-intervention"—scanning the horizon ‡ to see to what capital he should next send

* See Lord Shaftesbury's *Life*, ii. 238, &c.

† "Chartism" in April, "Repeal" in August, 1848.

‡ See Evelyn Ashley's *Life of Lord Palmerston* (ed. 1876) i. 4. Lord Palmerston once wrote privately to Lord Normanby (the Ambassador at Paris) that he could not "answer for the Broad Brims of the Cabinet" (September, 1847; *ib.* i. 143); and he was fond of "scoring a notch off his own bat" whenever he could. Every capital in Europe—Paris, Berlin, Constantinople, St. Petersburg, Vienna, Pesth, Lisbon, Madrid, Athens, Brussels, Geneva, Naples, Palermo, Rome, &c.; King, Emperor, Czar, President—all received his admonitions.

In one instance he addressed (in 1848) a despatch to the British minister at Madrid, in which he instructed him to represent to the Queen of Spain that she was governing the country in a manner opposed to its sentiments and opinions, and that she would do well to strengthen and liberalise her Ministry. The Spanish Government not unnaturally considered this interference in their internal affairs "so offensive to the dignity of a free and independent nation" that the despatches were actually returned, and for a time diplomatic relations were broken off.

And while Palmerston was so free of his advice and expostulations with others, he was very touchy when the foreign Ministers of other countries ventured to criticise his own proceedings. When, for instance, in one of his *ciris Romanus* moods, he had, in a high-handed way, seized the Greek merchant ships in order to obtain repa-

a despatch of advice, remonstrance, warning, or encouragement; ordering the fleet hither and thither, at one time to Lisbon, at another to the Bosphorus, and instructing the Admiral to take Athens on his way back *—brought England once to the verge of war with Russia, and more than once into most serious and strained relations with France. Peace was indeed preserved, as Lord Palmerston reminded Mr. Cobden in 1851, during the term of his office, not only between England and the other Powers, but between the Great Powers themselves. But many lovers of peace persisted in thinking that this was in spite, and not in consequence, of the policy of the Foreign Secretary.

Be this as it may, certain it is that during the earlier days of the Government the revenue went down, and the expenditure went up; and deficits again occurred; while the position was in no way retrieved by any stroke of financial genius. Seemingly content to drift aimlessly along, without system or purpose, the Government as often as not allowed the House of Commons to recast their Budgets for them. Their first complete financial year, that of 1847, ended in a deficit on the ordinary expenditure of over a million, besides the two millions spent, one on a Kaffir war, and one on Ireland, in addition to the eight millions raised by loan † for the latter purpose. In one year eleven millions were added to the debt in a time of peace, without a sixpence of extra taxation being imposed.

The next year was a year of Budgets. The income tax was again to expire. Peel had fully expected to be able by 1848 to dispense with its aid. But panic, distress, and mismanagement had so demoralized the revenue and affected the expenditure, that while the income of the year 1848 (exclusive of the sevenpenny income tax) could only be taken at forty-six millions, the expenditure would amount to fifty-four and a half millions, leaving a deficit of eight millions and a half. The income tax was only producing about $5\frac{1}{4}$ millions a year, so that, at the best, with the tax renewed,

ration from Greece, because they refused to pay Don Pacifico's little bill, the French remonstrances and suggestions were to him "really laughably absurd and ridiculously impertinent," while those of Russia were mere "swagger and attempts to bully." (*Ib.* i. 189 and 196.)

* Palmerston to Admiral Parker. (*Ib.* i. 183.)

† This loan was negotiated at 89½. The credit of the country had fallen back almost to that of pre-Peel days.

there would still be a deficit of $3\frac{1}{4}$ millions. Clearly there was no option but to renew the tax.

The Government proposed, not only to renew it, but to renew it for five years; and in order to fill the void still remaining, to raise it to 1s. in the pound for the first two. But this the House declined to allow, and the Government, not thinking it wise to "force upon an unwilling House an addition to an unpopular tax," dropped the original proposition, took the tax for three years only at the old rate, and fell back upon the discredited expedient of proposing to borrow the balance required. Even then the House was not satisfied, and so undisguised was their contempt for the financial ability and the economical powers of the Government, that they further insisted on referring to Committees the estimates of the expenditure with a view of seeing if they could not be reduced. As the French invasion panic had collapsed with the July Monarchy, it was, in fact, found possible to make reductions in the war expenditure, as well as in the Civil Service, amounting in all to some £870,000.*

The result of the financial year 1848, thanks to these reductions, and to increased revenue, was less unsatisfactory than might have been expected. Excluding, on the one hand, the cost of the Kaffir war, £1,100,000, which was met by loan, and on the other, the half million of "appropriations in aid" that were pressed into the service of the year, the ultimate deficiency amounted to but three-quarters of a million. And, from this time onwards, though their Budgets underwent many vicissitudes, and though the House paid little regard to their wishes and intentions, the financial misfortunes of the Government ceased. Expansion of trade and the return of good harvests soon enabled the revenue to recover from the shock of 1847. Between that year and 1852, $4\frac{3}{4}$ millions of taxation was remitted; yet the tax revenue of 1852 was only less than that of 1846 by a million and a half.

Then, also, public opinion, moved thereto by the increasing exertions of the politicians of the Manchester School, made for economy; and the expenditure, especially that on the naval and military services, which had been steadily increasing since 1844, was now again gradually reduced. In 1835—the lowest point that

* Army, £273,000; Militia, £150,000; Navy, £208,000; Civil Service, £235,000. See Reports of Select Committees, *P. Ps.* 555, 1., and 543 of 1848.

the expenditure of the country has ever touched in this century—the army expenditure was seven and a half millions and the navy but four, or together just over $11\frac{1}{2}$ millions.* By 1842 the expenditure had risen, for the army to £8,200,000, for the navy to £6,640,000; in all nearly 15 millions. Stationary for two years, this expenditure by 1846 was at £16,860,000: army, £9,000,000; navy, £7,800,000. In 1845, as mentioned in the Queen's Speech, and again in 1846, it had become necessary considerably to increase the outlay on the fleet, in order to begin the creation of a steam navy—the first of those costly reconstructions which have so often added to the naval or military expenditure of the country. In 1847 the French panic brought the expenditure up to £18,500,000—army, £10,500,000, navy, £8,000,000. From thence, until 1851, each succeeding year

* In 1700, a year of peace, and a year in which the expenditure touched far the lowest point reached since the Revolution, or subsequently, the army with 12,700 men, cost some £433,000; and the navy, with 7,750 men, £819,000; in all a million and a quarter. In 1783 Pitt found the navy expenditure at seven millions and a half for 66,000 men, seamen and marines, and the ordinary army charge at six and three-quarter millions with 124,000 men—of whom 25,000 were foreign troops in British pay—a total expenditure on the two services of nearly $13\frac{3}{4}$ millions. By 1792, the last year of peace, this charge for Great Britain had been reduced to £2,246,000, for the army, with 39,000 men; while Ireland, now brought into charge, cost £614,000 with 15,500 men. The navy charge was £3,330,000 with 17,000 men. A total expenditure of £6,200,000. Then came the great war, and economy was perforce at an end. The military expenditure leapt up at a bound to over $8\frac{3}{4}$ millions, the army numbering 157,000 men, and the navy 59,000. With the exception of the year of the peace of Amiens, 1802, until the end of the war, the number of seamen and marines voted never fell below 100,000, and went as high as 145,000 in 1810, 1811 and 1812. The number of soldiers voted never, except in 1802, fell below 200,000 and usually exceeded 300,000; amounting in 1814 to about 380,000 men. The year of greatest war cost was 1813, when the army cost 50 millions and the navy $22\frac{1}{2}$ millions, in addition to which there was a grant for war purposes to the East India Company of two millions—in all, a war expenditure of 74 millions, the total expenditure of the year amounting to £111,000,000. By 1818, the military and naval expenditure had been reduced to $15\frac{3}{4}$ millions—army, 9; navy, $6\frac{3}{4}$ —the number of soldiers to about 100,000, and the sailors and marines to some 20,000. The era of peace, if not of goodwill, had come, and the cost of “insurance” continued to diminish until 1822, when the expenditure was reduced to 14 millions—army, £8,700,000; navy, £5,200,000. Rising to as much as over 16 millions for one or two years, it fell again to 14 millions in 1830; for by this time Parliament had decided that “the numbers of the military and naval forces” were “not to exceed what was really necessary for the peace and security of the Empire.” From thence it fell to £11,600,000 in 1835, the lowest point it had touched since 1793. Between 1820 and the Crimean war the number of men voted (including the Ordnance Service) varied between 80,000 and 120,000; the number of sailors and marines between 24,000 and 43,000.

The official returns of the national expenditure of earlier years are often by 1.0 means quite consistent the one with the other, and indeed the mode of keeping the national accounts in former days did not lend itself to accuracy of statement. For the expenditure of the very early years I have preferred to accept those given in vols. i. and ii. of the *P. I. & E. Returns*.

showed a diminution; and, by 1851, the cost had been reduced to £14,580,000. But in that year, 1851, there was again an increase, in 1852 a further increase; and in 1853 the expenditure amounted to sixteen millions, the new militia charge accounting for over half a million of the increased expenditure, and the threatening aspect of foreign affairs for the rest.*

The total gross expenditure of the country (exclusive of special war expenditure), in 1835 was £48,350,000; by 1842 it had risen to £53,750,000; by 1846 it was £55,450,000; in 1847 £57,130,000; and by 1851 had been reduced to £53,750,000. In 1853 it stood at £55,530,000.

With improved revenue and diminished expenditure surpluses reappeared, and between 1849–53 a sum of nearly fourteen millions was thus realized, and applied to the reduction of debt.

In 1851†—another year of manifold Budgets—the income tax, for the third time, fell in, and the House was again asked by the Government to grant its renewal for yet another three years, and on the old basis. But the financial position had enormously improved since 1848. Then, the House had had no option but to continue the tax. Now, however, the finances were again in a flourishing condition, and there was an estimated surplus of

* See *Statistical Abstract*, C. 144, in which the accounts are taken back to 1840, and *P. I. & E. Returns*. The above figures are exclusive of "extraordinary" expenditure. In every case, unless otherwise stated, the "Ordnance" charge is included in the army expenditure.

† In 1852 the House of Commons for the first time transacted their business in their new House (the House of Lords began to use theirs in 1848) which had taken nearly twenty years to build; the old House having been burnt down in 1834. The fire was caused by the overheating of flues, while a large number of the old wooden "tallies" formerly used as Exchequer receipts were being burnt. Dating from the days of illiteracy, these "tallies" had continued to be used long after their necessity had passed away. Condemned by Burke's "Economical Reform" Act of 1782, they continued to be partially used until 1826, and were only finally abolished in 1834. In that year the accumulation of old tallies were being burnt in the stoves of the House of Lords; through carelessness, something caught fire, and, with the exception of Westminster Hall, the buildings constituting the two Houses of Parliament were almost totally consumed. The old House of Commons—"the oak-panelled-chapel" of St. Stephens—was most inconvenient, unhealthy, and small, and long before the destruction, everyone had been agreed that a new House was essential, but the expense and inconvenience of re-building, and the associations connected with the old House, had time after time been sufficient to postpone action. We may be almost grateful to the fire, which solved the difficulties, and which gave to the nation one of its finest and most commodious piles of buildings. The original estimate for the new House was £700,000, the ultimate cost was about two millions and a half. Architecturally fine, the stone of which the building is composed is so bad and brittle, that already the facings are crumbling away. See for an elaborate description of the old tallies, *P. I. & E. Returns*, ii. p. 339.

some two millions: a surplus which, while insufficient to make immediate abolition possible, would admit of a large reduction in the tax, with good hopes of ultimate repeal. When, therefore, the Government proposed again to renew the income tax, and to apply the surplus to the remission of other taxation—window tax, sugar, timber, and coffee duties—and to reduction of debt, they were met by strenuous opposition.

Peel no doubt in 1845 had, under similar circumstances, made a similar proposition. But it was one thing deliberately to renew the tax for Peel, in whose financial ability everyone had the fullest confidence, it was quite another thing deliberately to hand the proceeds over for a further period to an already discredited Government; a Government that, between the introduction of the Budget and its discussion, had resigned office and come back again still weaker than before.

The nation was, moreover, getting restive under the repeated renewals of the tax, and a fear was springing up lest it should, without their knowledge or assent, glide insensibly into permanency. A certain section of politicians, on the other hand, approving of the income tax as being direct taxation, desired its reform, in order that, by making its assessment and collection equitable and just, it might be rendered permanent. When, therefore, a motion was made by Joseph Hume to limit the tax to one year, with a view of appointing a Committee of Inquiry into its incidence, those who desired its abolition, those who desired its limitation, those who desired its reform—all supported the proposal as against that of the Government, and it was carried.* The feeling that the tax ought to be marked as distinctly temporary again prompted its renewal in 1852 for one year only; and it was the increasing desire to be rid of the tax that enabled Mr. Gladstone, in 1853, to gain general assent to an elaborate scheme which would almost certainly have resulted in

* By 244 votes to 230. In supporting the motion, Disraeli, on behalf of the regular Opposition, declared that the real question at issue was "whether the property tax should be renewed for a period of three years or for that of one," and further that he himself, whilst supporting its reform, desired the gradual abolition and not the retention of the tax. The divergence of view on the subject was shown, after the motion was carried, by the obstacles that were put in the way of the appointment of the Committee, both by the Government and by the Opposition. See debates and motions of May 2 and 8, and of June 2 and 6, 1851, and Lord Stanley's speech in the House of Lords of February 28, 1851. The Committee when appointed proved abortive. See *II. 171*.

its speedy extinction, had not the Crimean war saved the tax, and made it permanent.

Perhaps no English Government ever had so little control over the finances they administered, as had the Russell Government from 1846-52; none ever met with more humiliating rebuffs, or were so often forced to reconstruct their financial proposals. The Party of Progress in after days nobly retrieved their financial reputation; but it is certain that the Whigs of 1846, a Government of "all the Budgets," as Disraeli well called them, like the Whigs of 1836, were wretched financiers. Nevertheless, more by good luck than good management, some very important fiscal reforms in the way of reductions of duties and further freedom of trade were carried through by them.

In 1850 the excise duty on bricks was repealed.* The stamp duties were, at a cost of some half million of revenue, reduced and simplified.† The duty on coffee was reduced to 3*d.* a lb. The remaining export duty on coal in foreign ships not under reciprocity treaties was repealed, and henceforth coal, except in the port of London, went free. The weak, mistaken policy of Althorp, of nearly twenty years before, was reversed in 1851. The window tax—a truly barbarous tax on light and air, insanitary in its operation and unjust in its assessment—was repealed; and the house duty—in itself a fair and just tax and placed by Wood on a far more equitable basis than before—was imposed:‡ it was the only taxation, indeed, which this Government did impose.

* See *I.* 266.

† In 1850 the sister duties on stone, slates, and tiles had been already repealed. The tax was imposed by Pitt in his first Budget of 1784—the last excise duty of any importance imposed. The tax on bricks did much to encourage the use of that hideous abomination—stucco. The brick tax was producing rather under half a million of revenue.

‡ The original house tax, imposed in 1662, was levied in the form of a tax of two shillings on each "firehearth or stove therein," on houses above £20 annual value. The "chimney money" was profitable, but particularly unpopular, and on the accession of William III. was relinquished, a repeal which did much to consolidate their popularity and erected "a lasting monument to their Majesties' goodness."

But out of the fire into the frying-pan. Money was imperatively required, and in 1696 the window tax was imposed on every window except those in the houses of the very poorest. As this tax could be assessed without entrance into the dwellings, it was to that extent less hateful than the hearth tax. Attempts at evasion produced increased stringency in assessment, and every sort of external ventilation was taxed. In 1784, when Pitt began his fiscal reforms by a revolutionary reduction of the tea duty, he made provision against the expected deficit by doubling the window tax. The tax was then levied at the following rates. On houses under the value of £5 a year, and with less than six windows, 6*s.* 6*d.* per annum, if with more than six windows 8*s.* For other houses, with seven windows £1, increasing to £2 16*s.* for ten windows,

Freedom of trade was naturally extended considerably beyond the point at which it had been left by Peel. The corn duty of course disappeared in 1849. The differential duty on foreign timber, first, in accordance with an arrangement made by Peel, was reduced in 1847 and 1848, and then, on the initiative of the Government themselves, further reduced in 1851, the duty standing at that time at less than a third of its amount of five years before.* The navigation laws were repealed. The duties on sugar were equalised.

Peel had considerably reduced the colonial sugar duties, and the prohibitive duty on foreign sugar, so far as "free labour" sugar was concerned; and, in 1846, the reduction was extended to "slave-grown" sugar as well. The new Government passed an Act providing, not only for the abolition of the prohibitive duty still existing on foreign "slave-grown" sugar, and for its assimilation to the differential duty on "free-grown" sugar, but for the gradual equalisation of the duty on foreign to that

up to £93 2s. 6d. for houses with 180 windows. In 1826 the tax was considerably reduced, and certain trade exemptions, given previously, were then and subsequently extended.

Meanwhile, the inhabited house duty had been introduced by Lord North in 1778—a duty suggested to him by the *Wealth of Nations*, but Adam Smith had advocated it in substitution of the window tax as fairer and better—on all houses above the value of £5, with certain exemptions, and in 1798 it was combined with the window tax. At that time it was charged at the rate of 1s. 6d. in the pound on houses between £5 (extended in 1825 to £10) and £20 of value. Between £20 and £40 at 2s. 3d.; above that figure at 2s. 10d., with exemptions for certain trades, agricultural and unoccupied tenements.

In 1834, when the window tax was producing about £1,160,000, and the house tax £1,200,000, Althorp repealed the latter instead of the former tax (see *I.* 34). The window duty was in 1851 producing about £1,900,000 a year, while the house duty would, in consequence of the modifications introduced into it, produce immediately but £600,000. In 1886 it yielded two millions on an assessed annual value of sixty-two millions.

The rate of duty imposed in 1851, and as since modified, is charged on houses of above £20 annual value, used, either wholly or partly, as dwelling-houses, and is a charge on the occupier. Where used partly for purposes of trade, and partly as dwelling-houses, the duty is assessed at the rate of sixpence in the pound on the annual value. On those used solely as dwelling-houses, at the rate of ninepence in the pound. Houses used solely for purposes of trade are exempt; as well as *bond fide* blocks of artisans' and labourers' dwellings, when each tenement is self-contained and is under the value of £20. Hospitals, asylums, infirmaries, charitable training institutions, &c., can claim exemption. The tax, re-imposed in 1852, was, to quote the words of the then Chancellor of the Exchequer, "one of the fairest and best taxes that can be levied." It was on the proposal to increase and extend the inhabited house duty, that the Budget of December, 1852, was defeated. See Dowell, ii. 170, iii. 187. Macaulay, i. iii. 298, &c. P. I. & E. Returns, 1869, ii. Porter, 535. Reports of *J. R. Coms.*, 1857, 1870, and 1885 especially.

* At 7s. 6d. instead of at 26s. 3d. The duty on Colonial timber being a shilling. See *I.* 33, 343.

on colonial sugar. The latter duty was itself to be considerably reduced. The equalisation was originally intended to be completed by 1851, but subsequently (in 1848), in consequence of the distress existing in the West Indies, the period was extended until 1854.*

The dealings with the timber and the sugar duties were of considerable importance; but the repeal of the Navigation Laws, and the final extension of freedom of trade to the whole external commerce of the country, were incomparably more so.

The principle of the navigation laws was laid down as long ago as the time of Richard II., but the system dated in all its rigour from the "Act of Navigation," passed at the time of the Commonwealth, and subsequently re-enacted in the first (twelfth) year of the reign of Charles II. The object of the law was political as well as commercial, and was, as Huskisson said, "to create and maintain a great commercial marine, and to prevent any other nation from engrossing too large a portion of the navigation of the world."† It was, as Adam Smith said, especially intended to strike a damaging blow at the naval power of the Dutch, between whom and the English there "subsisted the most violent animosity," and who almost monopolised the carrying trade of the world.‡ It was also hoped, by encouraging seamanship, to secure an adequate supply of seamen for the British navy.

These laws interfered with freedom of commerce, but they were defended by eminent economists, such as Adam Smith and Huskisson, on the ground that "they were founded on the first and permanent law of every state, the state ground of political necessity, the necessity of providing for our own safety and defence, and of affording security to our enormous colonial possessions and our widely-spread commerce," as well as to "sustain the situation of England in the rank of nations."|| And it was contended, that

* See *I.* 152, 325.

† *H.*, May 12th, 1826, *Speeches*, iii. 2.

‡ Adam Smith, pp. 204 and 534. See also especially McCulloch, *Com. Dict.*; Porter, p. 394, &c.; Cunningham's *Growth of English Industry*, p. 327, &c.; Levi, *History of Commerce*, pp. 157, 301, &c.; Huskisson's *Speeches*, especially that of June 6, 1823; Committee on Navigation Laws, 1847 (Evidence); Report Com. Customs, 1857.

|| McCulloch, in his *Essay on the Commerce of Holland*, in his *Treatise on Economic Policy*, as well as in his *Commercial Dictionary*, maintains that the decline of the Dutch maritime power was due not to English navigation laws but to excessive taxation and the abuse of the funding system.

the result of these laws was to reverse the naval and commercial position of England and Holland, and gradually, while the shipping trade of Holland dwindled away, that of England steadily increased.

Under the navigation laws no goods whatever, the produce of Asia, Africa or America, might be imported into or exported from England or Ireland, or into the Colonies—the “Plantations” as they were then called—except in “British” ships. European goods might be imported in ships belonging to the subjects of the country from which the goods came; but discriminating rates and tolls were charged on the ships as well as on the goods thus imported or exported. A “British ship” was defined to be one built in the United Kingdom, owned by a British subject, and of which the captain and three-fourths of the crew were British subjects.

This commercial system was practically maintained in its integrity for over a hundred years; and the first great blow it received was from the enforced recognition of the independence of North America in 1782. It then became clear that the law against the importation of goods from America except in British ships could not be maintained, and the prohibition was modified, so far as the States were concerned, near the end of the eighteenth century. But the American trade with England was still much hampered, great friction was caused by the remaining navigation laws, and at last America retaliated against English exclusiveness by exclusive laws of her own. And thus it came about that the mutual prohibition of import in ships other than those of the country itself, led to the vessels of the two nations going out in ballast, crossing each other's paths, and returning with goods. At last, in 1815, more reasonable counsels prevailed, and a system of reciprocity and of free intercourse, as far as shipping was concerned, was agreed on between the States and England.

Other nations then began to retaliate, and the maintenance of the old laws became no longer possible; and in 1822 and 1825 the system of reciprocity was extended still further. The special burdens on foreign shipping were abolished in the case of all countries which agreed to extend the same treatment to English trade, while the prohibition against the importation of produce of Asiatic, African, or American origin was limited to that

coming from European ports; and some relaxations were made in the existing prohibitions of the import of European goods in foreign ships.

These antiquated, restrictive, and oppressive navigation laws* had survived the Peel era. But, in 1849,—with the exception of the English coasting trade, which for yet another five years was protected—they were finally swept away, and the whole carrying trade in connection with the commerce of Great Britain was thrown open to competition.† The result, as usual, entirely falsified the gloomy predictions as to the disastrous foreign competition that would arise to the English mercantile marine. The abolition of the navigation laws, with the concomitant freeing of trade in other directions, have resulted in placing England in the position of being the great carrier of the world.‡

By 1851, the Government had sunk to low-water mark, only just escaping defeat at the very beginning of the session on Disraeli's motion for agricultural relief. Beaten on a question of

* The Committee of Customs in their Report of 1857 thus describe the troublesome and onerous responsibility—with all its injury to trade—cast upon them by the navigation laws. "A proof of origin, by consular or other certificate, had frequently to be required; evidence of actual origin, in cases where the sending country produced a little and exported much of the article in question, had to be rigorously sifted; difficult problems, as to whether foreign manufactures wrought wholly or in part out of exotic produce should be regarded as the creation of the country furnishing the raw material, or of the country fabricating the finished article, had to be considered and determined; foreign produce exported hence to Europe, but returned in default of a market, had to give troublesome documentary proof of the formal legality of its original importation; and much of the time of the Board was occupied in considering a variety of intricate questions of this sort reserved for their decision, and in giving relief in special cases in such a manner as to avoid the establishment of inconvenient precedents" (p. 23).

† The only condition now-a-days presented for the registration of a ship as a "British" ship, is that the owner should be a British subject.

Whether we have not gone somewhat too far in the innumerable restrictions and regulations applied to British ships, and from which the foreign ships which compete with them in home ports are mostly exempt, is a question of considerable moment; and it is doubtful whether the differential advantage should not be diminished by somewhat similar regulations applied to foreign ships which ply to or from the home ports.

‡ In 1815 the number of British vessels registered amounted to 21,900, and the tonnage to 2,450,000. This number increased in the next twenty-five years to only 22,650 (of which 771 were steamers), and 2,768,000 respectively. In 1848 the numbers were 25,640 (of which 1,118 were steamers), and 3,400,000. In 1858, in consequence of the increased size of the vessels by the introduction of steam, while the tonnage had greatly increased, the number of ships was nearly stationary, namely, ships 26,200 (of which 1,700 were steamers), tonnage 4,658,000. In 1868, ships 28,450 (steam 2,940), tonnage 5,780,000. In 1878, ships 25,900 (steam 4,830)—an actual decrease in numbers—tonnage 6,560,000. In 1885, ships 23,660 (steam 6,650), tonnage 7,430,000.

reform ; resigning and then coming back again ; beaten on the Budget ; compelled to abandon their schemes, and to reconstruct their financial proposals ; beaten on small matters as well as on great, on a question of the spirit duties as well as on a trumpery one affecting attorneys ; they still continued in office, because no one would or could take their place.*

Then came the *coup d'état* of Louis Napoleon in December, 1851 ; followed by the milder and more limited *coup d'état* of Lord John—in preparation since the time of Don Pacifico and the Kossuth incident—the dismissal of the recalcitrant Foreign Secretary. A month or two later† Palmerston had his “tit-for-tat with John Russell,” and turned out the Government, now far too weak to stand.‡ The Militia Bill, on which the Government fell, was due to a suddenly renewed sense of complete unpreparedness for war, a feeling of uneasiness that had been growing for the last three years since the Duke’s alarmist letter on the state of the national defences had appeared.|| The action of the Prince President on the 2nd of December, its condonation by the popular vote, and his assumption of the Presidency for ten years, with the certainty that this was but a prelude to the re-establish-

* See an interesting account of this anomalous and uncomfortable state of things in Walpole, v. 10, &c. ; cf. also Ashley’s *Palmerston*, i. 79, 133, 192, &c.

† February, 1852.

‡ The smallest vote—136 to 125—on either side that has ever decided the fate of a Government ; though the division on Locke King’s motion of the year before on which the Government had temporarily gone out, was even smaller, the numbers being then but 100 against and 52 for the Government. The latter vote—clearly a snatch vote—was not thought at the time to have justified resignation. But the Government were very insecure in their seats ; probably Lord John thought that resignation was the easiest and pleasantest mode of settling “l’affaire Palmerston,” which had been brewing for some time ; and he had moreover got into trouble with his “No Popery” cry. The vote of 1852 was different, for by that time it was quite clear that, with Palmerston in opposition, the Government could not continue long in office.

The total number of members voting on a stand and fall division has, as a rule, since the Reform Bill, been over 600.

|| The Duke, in his letter to Sir John Burgoyne (published January, 1848), said that he had come to the conclusion that the extension of steam to ships of war had so altered the question of invasion, that “excepting immediately under the fire of Dover Castle, there is not a spot on the coast (from the North Foreland to Selsey Bill) on which infantry might not be thrown on shore at any time of the tide, with any wind and in any weather, and from which such body of infantry, so thrown on shore, would not find, within the distance of five miles, a road into the interior of the country through the cliffs, practicable for the march of troops.”

In almost the last speech he ever made in the House of Lords (he died in September, 1852), the Duke of Wellington said, “I tell you that for the last ten years you have never had in your army more men than enough to relieve the sentries on duty in the different parts of the world.” (*II.*, June 15, 1852.)

ment of the Napoleonic dynasty under the "Imperial" title, had made defensive action on the part of England appear immediately imperative.* The old Militia of the great war had for many years been neither enrolled nor drilled, and had completely fallen into decay. Lord John Russell proposed the formation of a "local militia." Lord Palmerston desired the revival of the regular national militia. The latter proposal was certainly the more likely to lead to the creation of an effective force, and proved most acceptable to the House; and it was on those lines that the Militia Act, subsequently passed by the Conservative Government, was framed.†

Lord John resigned, and Lord Derby, being unable to obtain the help either of Palmerston or the Peelites, took office with his "Who? Who?" Ministry, in a miserable minority, and as weak in ability as it was deficient in administrative experience.‡

* The Prince President was declared Emperor in December, 1852. He had been elected President in December, 1848, by 5,534,000 votes against the 1,448,000 given to General Cavaignac. The voting of December, 1851, the condonation of the *coup d'état*, gave 7,340,000 ayes, against 641,000 noes. That of November, 1852—on the question of the establishment of the Empire—was 7,864,000 ayes, against 253,000 noes. The vote of April, 1870, of "confidence" in the liberal intentions of the Empire, gave 7,336,000 for, and 1,560,000 against.

† The constitutional military force of the country—the Militia—was first practically organized in the reign of Charles II., and was enrolled as a local force. It was not bound to serve out of the country, and was intended both for "suppressing insurrections," as well as for "repelling invasions." Service was, and indeed still is, in some sort compulsory; a ballot is in the last resort legal, if voluntary enlistment does not produce the required numbers. During the next hundred years, various acts were passed for the purpose of strengthening and organizing the force. About 1757 the Militia was again remodelled by the elder Pitt; the establishment in England and Wales then numbering some 30,000, and costing £100,000 a year. This sum, the Militia being a local force, was charged on the land tax, a system of hypothecation of revenue which prevailed until 1809. In 1802-3 the force was raised to 60,000 men for England, and 8,000 for Scotland, while the Irish Militia numbered about 22,000 men. See *P. I. and E.* ii. 688; Macaulay, i. chap. iii.; Mahon, iv. 133, &c.

After the peace the force was allowed to dwindle, though up to 1829 enrolment still took place; in that year enrolment was suspended, and the annual training abandoned, and not again revived until 1852. The difference in principle between the plan advocated by Lord Palmerston and that advocated by Lord J. Russell is thus described by the former. Lord J. Russell's proposal involved "compulsory service as a rule, with voluntary service as the exception"; Lord Palmerston's "voluntary service as a rule, and compulsory as merely the remote exception." (*Ashley's Life*, p. 390.) The Militia Act, 1852, together with the additional Acts of 1854, 1860, and 1867, empower the Crown to raise 120,000 Militia (80,000 in England and Wales, 10,000 in Scotland, and 30,000 in Ireland), by voluntary enlistment or by ballot if necessary. In case of invasion or imminent danger, the numbers can be increased to 120,000 for England, 15,000 for Scotland, and 45,000 for Ireland. The existing establishment (officers and men of all ranks), numbers 141,000, the number enrolled 124,000. See *Army Annual Returns*, and returns of the Militia force, &c.

‡ The Prime Minister himself spoke of his colleagues as "raw troops" (Croker,

The Protectionists were now in office,* and they determined to make one last desperate attempt to reverse the opinion of the country on the question of Free Trade. But their own views were discordant. The statesman who was now Foreign Secretary had, a year or two before, expressed the feeling of many when he exclaimed, that, without Protection, "this great kingdom would soon return to its normal and natural state—a weather-beaten island in the Northern Sea"; and other members of the Administration supported his views.† The cooler heads, indeed, knew that the game was up. The Chancellor of the Exchequer, looking for support outside the farming interest, declared emphatically, from his Buckinghamshire hustings, that the existing Administration had no intention, and never had had any intention, of re-enacting the laws that had been repealed in 1846; while the son of the Prime Minister, also a member of the Government, wrote that the imposition of any protective duty on corn was now impossible.‡ Lord Derby had "elected to be tried by his God and his country,"§ but Providence remained apparently deaf to the appeal that was made—perhaps was confused as to the real issue: the country unequivocally declared against Protection, and the Government came back from the polls little better off than before.

The popular decision of 1852 marked the final defeat and abandonment of "obsolete opinions" in regard to Protection; and, to the satisfaction apparently of the Conservative as well as of the Liberal party, the policy of "unrestricted competition," up till then still looked upon as experimental and on its trial, was now accepted by all as an accomplished fact. As Mr. Disraeli frankly put it; at the election of July, 1852, the Protectionists,

iii. 256), and on another occasion described himself as having "ventured boldly to open a new mine." (Speech, Goldsmiths' Hall, April 17th, 1852.)

* February, 1852.

† Lord Malmesbury at a Protectionist meeting on June 26th, 1849.

‡ Lord Derby, writing in 1851 to Croker (iii. 235), said, that when a dissolution came he could appeal to the country on the strong war-cry of "Protestantism, Protection, and down with the Income Tax."

§ Lord Campbell says that Lord Derby, when, after his acceptance of office, he had to explain the principles on which he intended to govern, "danced his hornpipe among burning ploughshares with considerable dexterity and felicity." (*Life*, ii. 303.)

‡ Disraeli, July 16th, 1852. Lord Stanley (address to constituents), June 22nd, 1852.

|| *H.*, March 15, 1852.

having had a fair contest, and having been beaten, "were not ashamed to acknowledge their discomfiture." If, said he, the country had not so unequivocally expressed its opinion, there "would have been for years—for endless years—a Parliamentary party who would have believed in the possibility of carrying out a Protectionist system of policy"; and who, whenever a period of suffering arose from any of those vicissitudes which will periodically occur, would have attributed the distress to Free Trade.* The quondam Protectionists themselves, if unable to recognize Free Trade at once as "wise, fair, and beneficial"—those "odious epithets"—† were forced practically to acknowledge that their predictions of evil had been falsified. Indeed, the benefits which had sprung from the liberation of trade were too strong to be combated by mere assertion. Commerce, wages, revenue, had all shown an unprecedented expansion since 1842.

The Budget following the election marked the close of the controversy. The April Budget of the Government had been professedly provisional; the exposition of their financial policy was to be reserved until further time had been given them for consideration, and until the electors had expressed their opinion. The Budget of December, introduced by Mr. Disraeli‡ as Chancellor of the Exchequer in a speech of great ability, now proved to be an acceptance in full of the policy of "unrestricted competition." At the same time, the wind was to be somewhat tempered to the shorn lamb. Compensation was to be substituted for Protection. The three great interests supposed to

* *H.*, November 23rd, 1852.

† On the re-assembling of Parliament in November, 1852 (*H.*, November 23rd), Mr. Villiers had brought forward a motion to the effect "That in the opinion of this House the improved condition of the country, and particularly of the industrial classes, is mainly the result of recent commercial legislation, and especially of the Act of 1846, which established the free admission of corn, and that that Act was a wise, just, and beneficial measure." Mr. Disraeli, on behalf of the Government, declared that, while they recognised the logic of events, and bowed to the "unequivocal declaration of the country," they could not accept the "three odious epithets" of the resolution. In order to save them from defeat, Lord Palmerston—who had practically put them into office, and so far had acted as their guardian angel—came to their rescue with an amendment, "that the improved condition of the country, and especially of the industrious (*sic*) classes, is mainly the result of recent legislation which has established the principle of unrestricted competition, and abolished taxes imposed for purposes of protection, and has thereby diminished the cost and increased the abundance of the principal articles of food to the people," and that this policy should be "firmly maintained and prudently extended." This amendment the Government accepted; it was carried, and for the moment they were saved.

‡ *H.*, December 3rd, 1852.

have been especially affected by the "three great measures of Free Trade . . the importation of corn, the importation of sugar, and the free navigation of the country,"* were to receive some compensatory relief of burden. The shipping interest was to receive relief from certain special dues and charges to which it was subject. The sugar interest was to be allowed to "refine in bond." The agricultural interest was to receive remission of half the hop and malt duty. In addition, the general consumer was to have his tea cheapened, and the payer of income-tax was to have his burden lightened by a re-adjustment of the tax. "Everybody was to be relieved," as was said at the time, "at nobody's expense." But money to meet all these remissions had to come from somewhere; and Mr. Disraeli proposed to increase the house duty, by extending it downwards to houses of £10 valuation, and by increasing the rate from 9*d.* and 6*d.* to 1*s.* 6*d.* and 1*s.* in the pound.

The Budget was too ambitious and too progressive to receive more than lukewarm support from the Ministerial benches, or to be acceptable to the Liberals and Peelites, from the hands of a Tory Government, and a Government in a minority. Defeat on some point was in any case certain; and the particular point on which the division was taken was that of the house duty.† Mr. Disraeli, on Mr. Villiers' motion, had declared that after the national opinion expressed at the election, the "Government felt they had only one course to take—frankly to accept and unreservedly to act upon it." Another alternative was now given them—resignation; and this they accepted with a good grace.

* Disraeli, *H.*, November 23rd, 1852. See his Election Address, 1852. Ewald's *Lord Beaconsfield and his Times*, i. 165, &c.

† Dec. 16, 1852, the voting was 305 votes to 286.

CHAPTER VI.

“1853.”

THE defeat of Lord Derby brought about a coalition between the Whigs or Liberals and the Peelites, under a Peelite Premiership.

The Peelites, since 1846, and especially since the death of their chief, had, in the words of their most famous member, been somewhat of a “public nuisance.”* They held the balance of voting power, and yet no man could depend on them. They disliked Lord John Russell and the Whigs much, they disliked Lord Derby and the Protectionists more, and they could never forgive Mr. Disraeli his persecution of their chief. Yet, up to 1853, there was always a chance, nay often a likelihood, that some or all of the Peelites would rejoin the Tory party.† But, from thenceforward, all real likelihood of their re-uniting with the Tories disappeared,‡ though they were again, after the formation of Lord Palmerston’s Government, for yet another period an erratic, an unreliable body.

In the period between 1846 and 1859, no Government and no Party possessed the stability of a clear and unquestioned majority. Lord John Russell depended on the Peelites to keep him in office. Lord Aberdeen depended, and in vain, on a coalition of parties. Lord Palmerston depended for his position on his personal popularity, and that did not always save him from defeat; while

* Mr. Gladstone, in the *English Historical Review* for April, 1887, writes that he himself once said to Lord Derby, that “we (the Peelites) were a public nuisance” (p. 265). See Mr. Goldwin Smith’s reply in *Macmillan’s Magazine*, October, 1887. Compare May’s *Constitutional History of England*, ii. 215-223.

† Lord Derby in 1852 tried to induce the Peelites, and Mr. Gladstone especially, to join his Government, but his overtures were rejected. In 1857 the alliance between Gladstone and Disraeli, in opposition to the proposals of the Liberal Chancellor of the Exchequer, gave rise to rumours, totally unfounded, that the former was about again to join the Conservative party. (See I. 160.)

‡ Lord Derby in 1855, when endeavouring to form a government, after the fall of Aberdeen, again made unsuccessful overtures to some of the Peelites.

Lord Derby's second Government was like his first, professedly and hopelessly in a minority. Real stability was only attained when Lord Palmerston's second Government combined, without talk of "coalition,"—that combination which the English people love so little—all the different elements of the Liberal and Peelite parties.

The coalition Cabinet of December, 1852, was one rich in talent. Lord Aberdeen Prime Minister; Lord John Russell, without office, leading the House of Commons;* Lord Clarendon Foreign Secretary; and the fire-eater Lord Palmerston relegated to the Home Office.† Mr. Gladstone, whose speech on the December Budget had, it was said, decided the vote against the Tory Government, was Chancellor of the Exchequer.‡

The era thus opening was to be an era of peace. The Great Exhibition of 1851 had, for the first time, brought together the nations of the earth in friendly rivalry, and sanguine spirits

* Lord John Russell was for a few months Foreign Secretary, and then resigned the position to Lord Clarendon, and led the House, without office or emolument, though of course as a Cabinet Minister. An unique position for the leader of the House and a member of the Cabinet. The leader has always been First Lord of the Treasury, Chancellor of the Exchequer, or Foreign Secretary; sometimes combining two of these offices (see *II.* 274).

† Lord Palmerston made unquestionably a most excellent Home Secretary, putting his back into his work as he always did into everything he undertook; but his heart was elsewhere, as the following characteristic story of him shows:—

"The Queen told Clarendon an anecdote of Palmerston, showing how exclusively absorbed he is with *foreign* politics. Her Majesty has been much interested in and alarmed at the strikes and troubles in the north, and asked Palmerston (as Home Secretary) for details about them, when she found he knew nothing at all. One morning, after previous inquiries, she said to him, 'Pray, Lord Palmerston, have you any news?' To which he replied, 'No, madam, I have heard nothing; but it seems certain *the Turks have crossed the Danube.*'" (Greville, 3rd Series, i. 106).

‡ "One of those few famous displays which are reported to have decided an issue which had before been doubtful." (Martin's *Life of Prince Consort*, ii. 481.)

Mr. Disraeli had, in winding up the debate, as it was thought, spoken very long and very late in reply to the many and severe criticisms which had been passed on his Budget. Unwisely and unfortunately for himself, he indulged in some scathing personal remarks anent his opponents; sarcasms which stung Mr. Gladstone into instant and unexpected reply. Sir George Trevelyan (*Life of Lord Macaulay*, i. 330) graphically describes what followed:—

"At the moment that friends and foes alike thought that the last word had been spoken on either side, Mr. Gladstone bounded on to the floor, amidst a storm of cheering and counter-cheering such as the walls of parliament have never re-echoed since, and plunged straight into the heart of an oration which, in a single day, doubled his influence in parliament and his popularity in the country"—and, we may add, what was of still greater importance, turned the vote.

Mr. Gladstone also spoke at great length, so much so that, though the division was taken directly after his speech, "the House adjourned," says *Hansard*, "at a quarter before four o'clock in the morning."

For the speeches see *II.*, December 16th, 1852.

believed that peace and goodwill among men was at last to be a permanent institution.

It would be, they thought, but a short space—

"Till the war drum throbbed no longer, and the battle flags were furled
In the parliament of man, the federation of the world."

But "the best laid plans of mice and men gang aft a-gley." Less than three years later came the Crimean war: and then began a period in which every first-rate Power has been engaged once, most of them more than once, in war with some other great Power; a state of unrest which has ended by turning Europe into an armed camp, and made the intervals of peace only less exhausting than the periods of war.*

The first Budget of the new Government, that of 1853, rivalled in importance those of 1842, 1845, and 1846; and when completed by that of 1860, formed a series of proposals dealing with the

* "The ogre War," as Bastiat said, "costs as much for his digestion as for his meals."

Between 1816 and 1853 there was only one real European war—the Russo-Turkish war of 1828. The Turko-Egyptian war of 1837-41 can hardly be classed as "European," though it nearly led to a general conflagration. Since 1853, England had been engaged in a European war once, France thrice, Austria thrice, Russia twice, Germany (Prussia) thrice, Italy twice, Denmark once, Turkey twice. On the other hand, of great Arbitrations there have been two; while the "Concert of Europe" had settled some international disputes, which would otherwise have almost certainly led to war.

England herself in the last five-and-thirty years has been engaged in countless wars other than European: in Afghanistan, China, Abyssinia, Mexico, Japan, Persia, Egypt, Soudan, Ashantee, Zululand, Transvaal, Canada (New River), Burmah, New Zealand (native), endless Kaffir wars, and in chronic Indian wars, of which we at home hear little or nothing.

We speak of war expenditure as extraordinary expenditure, but as a matter of fact, now-a-days, the year in which ordinary war expenditure alone occurs is the extraordinary year, for "extraordinary expenditure" has become chronic. The 128 years between 1688 and 1815 were divided, as far as England was concerned, into 76 years of war and 52 years of peace. Between 1817 and 1850, there was extraordinary war expenditure in nine only out of thirty-four years. But in only nine years out of the thirty-seven which have since elapsed, has it not been necessary to present votes of credit or supplementary estimates, in order to meet war expenditure or expenditure in the nature of war expenditure, incurred or to be paid within the year. The model nine years were those of 1862, 1863, 1864, 1866, 1872, 1875, 1876, 1883, and 1886. But of these years in 1862, 1863, 1864, and 1883, there was war expenditure (Chinese, New Zealand, and Soudan) which was met out of the ordinary Army and Navy savings, thus leaving only five years out of the thirty-seven in which no war expenditure was actually incurred. And even yet—unlike Falstaff and his men in buckram—this number must be further reduced; for, in 1866, a supplementary estimate was taken for the immediate conversion of the Enfield muzzle-loading rifle into a breechloader in consequence of a European war; while in 1886 fell a large portion of the additional cost entailed by the vote of credit of 1885, and on 1875 fell a portion of the cost of the purchase of the Suez Canal Bonds, leaving positively only two years, 1872 and 1876, since the Crimean war, which have been absolutely clear of any war expenditure direct or indirect.

reform of the customs tariff which left but little, in that direction, for future finance Ministers to accomplish. The new Chancellor of the Exchequer was a Peelite to his finger-tips. Brought up at the feet of Peel, when Sir Robert was entering on his fiscal reforms, he had been first his Vice-President, and then his President of the Board of Trade, and in that capacity had rendered very great help in the work of simplifying the tariff. Early in 1845 he had resigned on the question of the "Maynooth Grant"—a resignation which in the opinion of many showed an over-scrupulous mind: for he had resigned, not because he did not then approve of the grant to Roman Catholic colleges, but because, some years before, he had (in that Work which to Macaulay proved him to be a "stern and unbending Tory") expressed an opinion adverse to such grants. When Peel resumed office, in the winter of 1845, Mr. Gladstone had come back to the Cabinet for the rest of its brief existence as Colonial Secretary.

The path of fiscal reform, as it opened out in 1853, was far smoother than it had been ten years before. The House had on all sides finally acknowledged the great advantages springing from a system of "unrestricted competition," as the former opponents of the policy preferred to call "free-trade." The nation had tasted the fruits of financial reform, and asked for more. Thus the Chancellor of the Exchequer had popular opinion at his back; and by his colleagues, though not without trepidation on the part of some among them, he was given a free hand. Yet neither a free hand nor popular sympathy would have enabled him to carry out judicious reforms, unless he had himself possessed the many qualifications of a Reformer. But Mr. Gladstone was the right man in the right place. The proposals he had to make required foresight,—a quality which, in financial affairs at least, Mr. Gladstone has always shown himself to possess. They required courage,—and courage, even to rashness, is one of Mr. Gladstone's most marked characteristics. They required minute attention to and mastery of details,—and in office-work and comprehension of facts and figures Mr. Gladstone has always shown himself pre-eminent.

The thoroughness and breadth of view displayed in the Budget of 1853, the lucid and eloquent five hours' speech by which it was introduced, raised Mr. Gladstone at once to the front rank of financiers

as of orators.* It was felt that he combined—with a voice whose charm was his own particular possession—the grace, the eloquence, the fire of Canning, and the peculiar financial knowledge and lucidity of Huskisson. From that time forward until now, whether in or out of office, Mr. Gladstone has exercised an enormous influence over the financial policy of the country. His first Budget was that of 1853, his last that of 1882; and in all he introduced thirteen Budgets, a number only surpassed by Walpole, North, and Pitt.†

The two most important legislative features in the Budget of 1853 were its fiscal reforms and the imposition of the succession duty.‡ But, unquestionably, just as the chief interest of the Budget of 1842 had lain in the re-creation of the income-tax, so that of the Budget of 1853 lay in the proposals for its gradual extinction, and a very considerable portion of the financial statement was devoted to that subject.¶

The history of the income tax must be briefly sketched. The earliest form of regular taxation in England ** was in the nature of

* Greville says of the Budget: "Mr. Gladstone had kept his secret so well that nobody had the least idea what it was to be, only it oozed out that the income tax was not to be differentiated. He spoke for five hours, and by universal consent it was one of the grandest displays and most able financial statement that ever was heard in the House of Commons; a great scheme, boldly, skilfully, and honestly devised, disdaining popular clamour and pressure from without, and the execution of it absolute perfection. Even those who do not admire the Budget, or who are injured by it, admit the merit of the performance. It has raised Gladstone to a great political elevation, and, what is of far greater consequence than the measure itself, has given the country assurance of a man equal to great political necessities, and fit to lead parties and direct governments" (3rd series, i. 59). See also *Prince Consort*, ii. 488, &c.

"The Budget fulfilled," says Tooke (v. 441), "nearly every condition which could be required, either by those who looked merely to practical adaptation to the particular time, to the bold adoption of an independent course, or to the employment of novel and ingenious expedients."

† Sir R. Walpole was Chancellor of the Exchequer twenty years, Lord North fifteen years, and Pitt eighteen years.

‡ *H.*, April 18th, 1853.

¶ The whole speech should be studied by everyone interested in oratory or finance. It will be found in *H.* (April 18th, 1853), and, corrected, in the volume of *Mr. Gladstone's Financial Statements* (1853 and 1860—3, Murray), now unfortunately out of print. See also Northcote's *Twenty Years of Financial Policy* (chap. iv.), for an appreciative disquisition on the speech.

** For the history of the taxation of the earlier centuries, see especially Mr. Dowell's invaluable volumes, *First Report of Commission of Customs* (containing a lucid account of the early taxation) and of *Inland Revenue*, both of 1857, and incidentally in subsequent reports; Taylor's *History of Taxation in England* (1853); Hubert Hall's *History of the Customs Revenue in England from the Earliest Times until the Year 1827*; Sir S. Northcote's *The Closing of the Exchequer*; Cox's *Institutions of the English Government*; Leoni Levi's *History of Commerce*; Wells' *Revenue and Expediture of the United Kingdom*; Stevens' *Royal Treasury of England* (1728);

a tax on land, and was known by the names of the "Danegeld," "scutage," and "tallage." Taxes on "moveables"* dated from the twelfth century, and led up to the first poll-tax, that of 1377, a tax graduated chiefly according to rank and, to a minor degree only, according to property. Beggars alone were exempt; every other person over sixteen years of age had to pay at least 4*d.* a-head, rising to 6*s.* 8*d.* for "esquires" and "attorneys"—does the "6*s.* 8*d.*" date from this time?—to £1 to £2 for knights, £4 for earls, and £6 1*s.* 4*d.* for dukes; mayors, aldermen, bishops, judges, clergy were charged on a corresponding scale. This form of poll-tax continued, with variations and modifications, until about the beginning of the sixteenth century. Along with the poll-tax were granted "subsides" in the form of a direct graduated tax on property, a combination, as a rule, of taxation on land and on goods.

In 1641 a further poll-tax was levied by Charles I., the minimum tax being now 6*s.*, and a duke paying £100. Marquises paid £80, earls £60, knights £20. In addition there was a tax on expenditure: £5 on every one who spent £100 a year, down to a 1*s.* for those who spent £5. Various poll-taxes were levied under William III., when a tax was imposed on burials, marriages, and births, and an annual tax on bachelors above the age of twenty-five, and on childless widowers.† The last poll-

McCulloch's *Adam Smith*, his *Commercial Dictionary*, and other writings; Madox's *History and Antiquity of the Exchequer* (1769); Sir John Sinclair's *History of the Public Revenue of the British Empire* (1803); Cunningham's *History of British Industry*, and the *Ency. Brit.*; last, but not least, the *P. I. & E. Report* of 1869, which contains an almost complete history of our national system of revenue and expenditure. It is a perfect mine of wealth to anyone engaged in the study of this subject, ancient or modern.

* In the assessment for taxation in 1297, the following articles were exempt:—
 "1. In counties—the armour, riding-horses, jewels and clothes of knights and gentlemen and their wives, and their vessels of gold, silver, and brass; 2. In cities, boroughs, and market towns—a suit of clothes for every man and another for his wife, a bed for both of them, a ring and a buckle of gold or silver, a girdle of silk in ordinary use by them, and a cup of silver or mazer from which they drink; 3. Everywhere—the goods of any person not amounting in the whole to 5*s.* in value." (Dowell, i. 78.)

Dowell elsewhere gives some particulars of the schedules of assessment in Colchester (1295 and 1301), which vary between that of Walter the Weaver, who had "a surtout valued at 2*s.* 8*d.*—nothing more," to that of the Prior of St. Botolph, with goods to the value of £10 12*s.* 6*d.* (i. 251, 257).

† The meanest bachelor paid a shilling, "gentlemen" paid six shillings. Above this rank the tax was not only graduated, but was subdivided into a tax charged on "the party himself," "the eldest son," "the younger son." Thus a bachelor baronet paid £2 11*s.*; the eldest son of a baronet (if a bachelor), £1 6*s.*; and the younger sons, 6*s.* A duke himself, £72 11*s.*; the eldest son of a duke, £7 11*s.*; the

tax was imposed in 1698. Gradually, the "assessment" and the "assessed taxes," the regular "land-tax," the taxes on houses and on windows, the tax on pensions and salaries, and a small legacy duty, took the place of the poll and other property taxes. It was on these taxes, by this time (with the exception of the last two) classed together as "assessed taxes," that Pitt first had recourse in his attempt to make property bear a large share of the war expenditure. The "triple assessment" of 1797 was intended to impose on property a burden equivalent to a tax of 10 per cent. of the whole income. The levy was found to be far less productive than had been expected; and in 1798 it was relinquished in favour of a regular "property and income tax," less liable to evasion, and by which the burden was to be proportioned to the ability to pay.

The income tax, as originally imposed in 1799, was at the rate of £10 per cent., or 2s. in the pound; and at this rate it remained until the Peace of Amiens, in 1802, when it was repealed by Addington. Reimposed the following year on the resumption of the war, at the rate of £5 per cent.,* it was raised in 1805 to £6 10s. 0d. and £6 17s. 6d. per cent., and in the following year to the old figure of £10 per cent. At this it remained until the close of the war, at which time it was producing about fourteen and a half millions, or at the rate of £600,000 for each penny. In 1816 the income tax was repealed.†

Revived in 1842, professedly for three years, at the rate of 7d., or about £3 per cent., it was renewed at the same rate in 1845 for another three years, and again in 1848 for another three, and in 1851 and again in 1852 for one year only.

In 1853 the income tax was therefore for the fifth time legally expiring, and public opinion, as we have seen, was in favour of some decisive action being taken to provide for its extinction. That it could not be relinquished at once was clear, for the most favourable estimate of revenue and expenditure only showed a surplus of seven or eight hundred thousand pounds, including

younger, £6 5s. For burials the "party's wife or widow" paid—for instance, taking the case of a baron or bishop—£20 4s.; on the burial of the eldest son, "the party" paid £15 4s.; for a younger son, £12 4s., and so on. The same with births and marriages. The lowest sum charged was four shillings on burial, whether "the party himself," eldest or younger son; 2s. 6d. on marriage, and 2s. on births.

* To produce £4,500,000. Pitt's ten per cent. produced between five and a half and six millions.

† See *I. 12*.

the five and three quarter millions derived from the income tax itself. But, though immediate relinquishment was thus out of the question, it was thought possible that arrangements might be made for its gradual reduction and final extinction; and it was to this task that Mr. Gladstone addressed himself.

In principle the Chancellor of the Exchequer condemned the tax. The necessity of self-assessment led, said he, to inquisition, fraud, immorality, and inequality, while no amendment of the tax would make its incidence fair, or its assessment equitable. Therefore, though the tax was "an engine of gigantic power for great national purposes," there were "circumstances attending its operation which make it difficult, perhaps impossible, or at any rate not desirable, to maintain it as a portion of the permanent and ordinary finance of the country." While admitting that the tax bore "upon the whole too hard upon intelligence or skill, and not hard enough upon property as compared with intelligence or skill," Mr. Gladstone denied that the incidence of the tax as between "land and houses" and "trades" were so unequal as were generally assumed. He argued that, inasmuch as houses and land were taxed on the gross receipts, with no allowance for outgoings, while trade paid only on the net profits, after taking into account the outgoings, the latter (with the tax as it then was at 7d. in the pound) were actually only paying 7d., while the former were really paying at the rate of 9d. in the pound*—a difference which, he declared, did in fact meet Mr. Disraeli's contention of the year before, that precarious incomes should be assessed at a quarter less than permanent incomes.†

* The mode in which Mr. Gladstone arrived at this conclusion was as follows:—

The gross income of land and houses, paying the tax, amounted to about £80,000,000, which at sevenpence in the pound produced £2,333,000. From the gross income of £80,000,000 he deducted sixteen per cent. for outgoings, "not an unfair estimate, I am certain that it is in some instances a very low one," leaving a net income of £67,200,000. Further deductions, to the extent of a fourth of the gross total, must, he said, be made for mortgages, settlements, and incumbrances of all sorts, leaving a total net revenue of £47,200,000. On the twenty millions of incumbrances sevenpence in the pound income tax, producing £583,000, was of course paid. Deducting this sum from the £2,333,000 of income tax paid by the owners of houses and land, in which it was included, the balance remaining as their share of payment was £1,750,000, a sum which, on £47,200,000, equalled ninepence in the pound—that is, they paid ninepence in the pound on their net income.

† Mr. Disraeli's proposal in 1852 with reference to the income tax had constituted a really bold attempt to do something towards placing industrial and precarious incomes on a fairer footing as compared to those derived from property. The tax

Going through each schedule, Mr. Gladstone endeavoured to show that any attempt to change the basis of the tax by charging it not merely on the amount, but on the durability and the source of the income, would be "beyond the power of men to conduct with satisfaction." Class merged into class, schedule into schedule, income into income, and there were no natural lines on which an average of classes could be taken, or on which it could be said that this income was durable, that uncertain, this part depended on brains and sinews, that part came without an effort. In a rough and ready way, the proportionate weight between professional and property incomes was, he argued, fairly satisfactory. To attempt to change the basis of the tax would be to break it up; and it was "impossible" to "break up the basis of the tax," without rendering the tax unfit "for service on an emergency," and without "throwing the whole finance of the empire into confusion." Repeal the tax, if you like, cried he, but do not destroy its utility.

That was Mr. Gladstone's opinion then, confirmed, it is but fair to add, by the result of the inquiry of 1861; that is apparently his opinion now, if we may judge from his latest utterances on the subject. And it is probable that, during his time, his influence on financial opinion will be sufficient to prevent any further examination into the merits of the case, or any attempt to establish the tax on a broader foundation and a juster basis.*

But to return to the Budget. Mr. Gladstone had two objects in view in regard to the income tax. First, to "put an end to the prevailing uncertainty respecting the tax;" and for this end to take "effectual measures" to "mark the tax as a temporary tax," and with this purpose to project forward the financial view over a considerable number of years. Secondly, to retain the tax until it had been again associated with great

was to be reduced from sevenpence to fivepence farthing (three-quarters of the full rate) on Schedules D. & E., as representing the precarious incomes; retaining it at sevenpence on Schedules A. and C. The limit of exemption from the tax for industrial incomes was to be £100, "the point at which wages enter into the calculation;" that for permanent incomes £50. Farmers' profits were to be taken as equivalent, not as formerly half, but only to a third of the rent. The tax was to be extended to Ireland. The loss on the reduction of the rate on Schedules D. and E. would, it was thought, be made up by the reduction of the former limit of exemption of £150 to £100 and £50 respectively. See *Appendix K*, for a description of the different schedules.

* See *II. 170.*

and beneficial remissions of taxation; so that, by its means, might be completed "the noble work of commercial reform, which is so far advanced." The income tax was, therefore, to be renewed for a fixed term of seven years; at the rate of 7*d.* in the pound for the first two, at 6*d.* for the next two, '55 and '56; and at 5*d.* for the last three years, '57, '58, and '59. Meanwhile, the finances of the country, the balance between revenue and expenditure, were to be placed on such a footing that, at the end of seven years, Parliament would be in a position, if it so desired, to dispense with the obnoxious tax; retaining, however, the machinery of collection in a state "ready for service on an emergency."*

And while the income tax yet survived, the Chancellor of the Exchequer desired, without in any way breaking up its basis, to do something to meet the "public feeling"—evidently not much shared however, by himself—"with respect to the inequality of the tax" as between permanent and precarious incomes. The legacy duty then leviable on personal property (goods and chattels) was to be substantially extended to real property (lands and houses). This was to be done not only because the succession duty was "a fair and right tax to adopt for itself," but because it was one which, "leaving wholly untouched the intelligence and skill of the country, gave the relief and more than the relief aimed at by those who proposed the reconstruction of the income tax."

Relief, in various minor ways, was also to be given. The power already possessed by traders of assessing their profits for the income tax on an average of three years, instead of taking each year separately, was extended to professional incomes as well. Again, exemption from income tax was in future to be given on any portion of the income, not exceeding one-seventh of the whole, if invested in a deferred annuity (*i.e.*, an annuity coming into force after a certain age), or in a life insurance policy. Such an exemption had been granted by Pitt both in his "triple assessment of 1797," and in connection with his income tax of 1798-9, when deduction was allowed in respect of "premiums of assurance of life."† In 1806 Lord Henry Petty

* Compare Giffen's Article on *Gladstone's Work in Finance* (p. 219-22) in his *Essays on Finance*, 1-8.

† 39 Geo. III. c. 13.

limited the deduction for life insurance to persons with an income under £150. Sir R. Peel had not re-enacted the exemption.

The concession now made implied a great admission. The only ground on which invested income can be allowed to escape direct taxation, is that it represents not expenditure but savings. "I am not at all prepared to say," Mr. Gladstone himself admitted, "that we should stop at the point (of insurance) if it were possible with safety to do more." As a matter of fact, it is entirely inconsistent with all free-trade doctrines that the State should encourage one form of investment rather than another. Investment in annuities or life insurances have no particular charm or advantage; savings may often be better and more profitably employed in other ways. And, if it be admitted, that an investment of income in a particular way should exempt it from income tax, the further admission cannot logically be controverted, that any savings (whatever their relation in amount to the total income), and however invested, should also escape the tax.

With a view of raising additional revenue, and in order to place the income tax on a broader basis, it was at last to be extended to Ireland; while the limit of exemption was to be reduced to £100 from the £150 at which it had stood since Peel's time.* On the incomes between £100 and £150 thus brought under taxation, to an amount of some fourteen to fifteen millions a year the tax was to be levied during the whole seven years at the rate of 5*d.* only. 5

The arrangements made in order to provide for the gradual reduction and final extinction of the tax were somewhat elaborate. The gross loss of revenue which would be caused by the fiscal reforms and remissions of taxation (to be mentioned directly) would ultimately amount to as much as £5,384,000 a year. On the other hand, the fresh taxation to be imposed—by the income-tax extension, the imposition of a succession duty, and an increase in the spirit duty—would produce, for the current year, £1,344,000, and in future years, when the taxation had reached its maximum, as much as £3,140,000. And it was fully expected that the increased consumption which would follow the remissions of taxation and the reform of the tariff, would, ultimately, by 1860, 6

* See *I.* 309.

produce a revenue sufficient to fill up the void caused by the immediate and future reductions of taxation which were to be given.*

On the other side of the account, the Chancellor of the Exchequer trusted that the ordinary expenditure would not increase but would actually diminish—a very sanguine expectation, when it is remembered that during the last and the current year a considerable increase of expenditure had actually taken place. Then, again, as each year was to produce a good surplus, applicable to the reduction of debt, the debt charge, would, it was hoped, be considerably lightened in the course of the seven years. Moreover, a further considerable saving would come to hand in 1854, from the reduction on the interest from $3\frac{1}{4}$ to 3 per cent., on the two hundred and fifty millions of “Goulburn Stock” converted in 1844. Lastly, in 1860, would fall in the “long annuities”—of which we shall hear much later on—entailing an annual charge of over two millions, and this sum it was proposed to appropriate to the purposes of the extinction of the income tax, instead of to the continued redemption of debt.

Thus, with diminishing expenditure and increasing revenue, Mr. Gladstone expected that, by 1860, he would be able to secure a surplus sufficient to enable Parliament, if it thought fit, to dispense with the income tax.† How far these proposals were

* For the current year the financial position would be as follows:—Taxation imposed: Income tax (net), £295,000; legacy and succession duty, £500,000; licences (dropped), £113,000; spirits, £436,000; total estimate, £1,344,000; surplus brought down, £807,000; total, £2,151,000; net remission for year, £1,656,000; surplus, £493,000.

For 1854, the increased available income (including a saving of £312,000 on the debt charge) would be £1,307,000. The additional remissions taking effect in this year would amount to £1,087,000, so that on balance the year's revenue would benefit to the extent of £220,000. The taxes when in full operation would, it was estimated, produce £3,140,000, namely:—Income tax, £570,000; legacy duty, £2,000,000; spirits (net), £436,000; licences (dropped), £113,000.

† It may be well to sum up the scheme.

(1.) ESTIMATED SAVINGS.

Saving on reduction of interest from $3\frac{1}{4}$ % to 3 %	£624,000
Saving in interest on debt at rate of £80,000 a year from application of surplus to debt redemption	640,000
Saving on “Long annuities,” &c.	2,150,000
Total reduced expenditure	3,410,000

carried out, and how far these prophecies were fulfilled, will be seen in the sequel.*

So much for the income tax.

The increase to be made in the spirit duties—to produce in gross £590,000 and net £440,000—would apply to the Scotch and Irish duties alone. The former was to be raised from 3s. 8d. to 4s. 8d. and the latter from 2s. 8d. to 3s. 4d. the gallon; the English spirit duty standing meanwhile at 7s. 10d., the customs duty on Colonial spirits at 8s. 7d., that on foreign spirits at 15s. a gallon.†

The imposition of the succession duty was an important step, and involved a great principle; while it was, moreover, the first new tax that had been imposed since the Great War. In 1796, Pitt, casting about him for ways and means, had introduced two bills, the one to impose a legacy duty on collateral successions to personal property,‡ the other to extend it to landed property. The House of Commons accepted the first bill; and the second reading of the other was passed by a considerable majority. On the third reading, however, the majority fell to one, and on a second vote being taken, the bill passed only by the casting vote of the Speaker; thereupon Pitt withdrew it.¶

(2.) TOTAL TAXATION IMPOSED

(Excluding the income-tax), and available, inasmuch as the remissions of taxation were to be made up by increased consumption 2,550,000

Thus 1860 would be better off than 1853 by £5,960,000

The income tax at 7d. (after the change made in the exemptions) would produce about £6,140,000 a year. Thus the gradual decline in and final extinction of the receipts from the income-tax would be almost exactly balanced by the gradual increase of revenue and other taxation, together with the gradual diminution in the expenditure.

* See *I.* 192.

† See *I.* 247 for history of the spirit duty. In 1842 the Irish spirit duty had been raised from 2s. 8d. to 3s. 8d., but the additional duty at once led to such an increase of illicit distillation, that the old duty was reverted to in the following year. The increase of 1853 was successfully introduced, and was followed by rapid increases in 1854, 1855, 1858, and 1860, without apparently any ill effects (see *C.* 82, 1870). As a set-off to the increased spirit duty and to the extension of the income tax to Ireland, a debt of £4,500,000, bearing an annual interest of £245,000, due from Ireland to the English Exchequer for famine loans, was wiped off.

‡ There had been, since 1780, a tax on legacies in the form of a receipt stamp, but the duty had been largely evaded. Pitt, in 1796, charged the duty on the property while still in the hands of the executors.

¶ The debate on these bills is worth studying (*H.*, May 22, 1796). Fox opposed the "Personal Property Bill," as well as the "Landed Property Bill," on the ground of the "novelty of the principle of a tax on capital," a principle which, if carried out to

In 1805, he had returned to the charge. But not thinking it wise again directly to attack the landed interest, he had contented himself with extending the legacy duty to all bequests payable out of, or charged on the real estate. By this extension, however, he obtained the greater portion of the revenue which he had intended to raise by the proposals of ten years before, which had only applied to collateral successions.* The legacy duty was, however, at the same time extended to direct successions to personal property, and thus, the inequality between the taxation of real and personal property was continued in another way.

Since Pitt's time no attempt had been made by any government to alter the law, until, in 1853, Mr. Gladstone took up the question and proposed to abolish the exemption from legacy duty enjoyed by real property. Nevertheless, on the ground that it had to bear a heavy burden of rates, real property was still to receive more tender consideration than personal property.† Thus the payment of the duty might be spread over four years, instead of being payable on succession; while, if the "successor" to a life interest died before the expiration of the four years, the unpaid portion of the duty ceased to be payable. The "successor" to real and rateable property, moreover, was to be taxed, not, as in the case of personal property, on the capitalized market value of the property to which he succeeded, but only on the value of his life interest, after deduction of the incumbrances. Unless the computation were made in this way, great difficulty would, it was argued, arise, the capital value of a real estate not being easily ascertained. Moreover, as the common custom of entail involved a system of life-tenants, any attempt to tax the capitalized value, would lead, by forcing sales and in other ways, to interference with the ordinary custom and law as affecting land: un contemplated social changes would be brought about by that which was intended to be simply a fiscal measure.

its logical conclusion, would, said he, "enable the State to seize upon the whole property of the country," thereby lessening the "desire for acquisition." Sir P. Francis denounced the proposed tax on landed property "as a political measure immoderately increasing the influence of the Crown, and full of danger in its obvious consequences to the constitution and freedom of the country." Doleful were the predictions of the evil results which would accrue to the nation, and "especially to the great proprietors," who would be ruined by the enormous sums extracted from them.

It was estimated that the proposed duty on personal property would produce about £250,000, and that on real property about £140,000 a year.

* See II. 294.

† See *Appendix M*.

The existing legacy duty was producing about £1,300,000 a-year, the probate duty just over a million; in all, personal property was burdened to the extent of about £2,400,000 a-year. The amount of revenue which the succession duty would produce was estimated at £500,000 for the immediate year, rising to £1,200,000 in the following year, and to £1,600,000 for 1855, ultimately reaching £2,000,000 a-year.

And Mr. Gladstone's own estimate of the produce of the tax was considerably under those of its opponents. He reckoned on a receipt of two millions, the Opposition doubled the figure, to the intense alarm of themselves and of the landowners.*

The actual produce of the tax disappointed the estimates both of friend and foe. In 1854 it yielded under a quarter of a million. By 1860, instead of the two millions a-year, expected and required, it had reached but £600,000.† Even by 1871, when a further addition to the tax was proposed, the receipts had only risen to £800,000, and, in 1885, to but £935,000 (and that a very exceptionally productive yield), when, for the fourth time, an attempt was made to put the succession duty on real, more on a par with the probate duty on personal property.‡

* "He had not spoken to any person out of doors, whose opinion was worth having, who did not say that it was perfectly idle to suppose that the amount collected under the proposed legacy duty would be limited to £2,600,000. The general opinion among those who were most competent to form a judgment was that the duties would amount to £4,000,000 per annum." Mr. Cairns (afterwards Earl Cairns), *H.*, April 29, 1853. Other speakers and writers of authority estimated the receipts at from three to four millions. "Why, my Lords," said one angry peer, "the Chancellor of the Exchequer will be a kind of vulture soaring over society, waiting for the rich harvest which death will pour into his treasury."—Lord Malmesbury, *H.*, July 22, 1853.

Even as late as 1857 the official mind was unconvinced of the falsity of the estimate. The Commissioners of Inland Revenue, in their first report of 1857, estimated that the receipts from the duty had reached half a million in 1856, and were "evidently increasing rapidly." "It was (said they) the opinion of the Controller, that if no disturbing circumstances occur, this increase will continue until the whole receipt from Legacy and Succession Duties reaches the maximum sum of £2,500,000, which will probably be in twelve years from 1853."

† Actually £601,775. Table (p. 156) in Appendix to Report of I. L. R. Com. 1870 (C. 82, I.). See also p. 22 of their Report for 1857, and Report of 1885, p. 228.

‡ In 1883 the gross receipts were £846,000, in 1886 £840,000 (net £815,000). The average annual gross duty since the imposition of the tax has been about £700,000. While these pages are passing through the press, Mr. Goschen proposes in his Budget of 1888 to increase the succession duty by one half.

The object of the Chancellor of the Exchequer in 1853, was to impose a succession duty which would yield about two millions a year. By 1884, the receipts, on this estimate, would have amounted to about sixty millions sterling, while only about twenty-one or twenty-two millions were actually received. The amount of taxation which real property must have escaped between 1796 and 1872, in consequence of the rejection of Pitt's proposal, can hardly be put at a lesser sum; and meanwhile from

Mr. Gladstone subsequently* attributed the failure of his predictions to the previously unappreciated fact that real property went in a direct line, in a much larger number of cases than personal property, and was, therefore, more frequently liable only to the lowest per-centage of charge, namely one per cent. But it is clear that this explanation can account only for a part of the failure, and not for the enormous discrepancy which occurred between the estimated and the actual receipts. The chief reason was that sufficient allowance had not been made for the encumbered state of real property. Encumbrances, already taxed under Pitt's Act of 1805, escaped that of 1853, with the result that the value of the property which became liable to the succession duty was very much less than the estate. The plan, moreover, of basing payment on "annuity," instead of by "saleable value," vastly diminished the productiveness of the tax.†

The probate duty also "called for reform;" the gross, instead of the net property was charged with duty; intestate were charged at a higher rate than testate estates; the scale of charge was arbitrary and unfair; from the duty were exempt both "settled" personalty and real estate. But everything could not be done at once, and probate had to wait. Wait it did, for a considerable time; and not until 1880 and 1881 were the anomalies remedied, while the exemptions still exist.‡

The latter portion of the Budget was devoted to what may be called the fourth revision of the customs tariff, the first being

time to time the probate duty has been largely increased. For these figures, see the returns of the succession duty given in I. L. R. Comms. Reports, 1857, 1870, 1881, and 1885, Appendix.

* Budget Speech, II., Feb. 10th, 1860.

† Sir S. Northcote (*Twenty Years of Financial Policy*, pp. 208-10) points out how great was the difference in amount between the property which became liable to the succession duty and that which was liable to legacy duty. The value of the property subject to legacy duty in 1860 was about £60,000,000, the value of that subject to succession duty only about £28,000,000. In the same year, while 31 per cent. of the succession duty was received from the succession of children, only 22 per cent. of the legacy duty was so derived.

The I. L. R. Com. of 1870 in their report (p. 97) are unable "to throw much light on the subject"; and do not "think that much apology is due for the error in the calculations made in this office." Compare Wallace's *Epitome of the Death Duties*, pp. 17, 18, &c.; Thring's *Succession Duty Act of 1853*; Dowell, iii., 150; Trevor's *Digest of Taxes on Succession*; Reports of I. L. R. Com. for 1857, 1870, 1881, 1885, and 1886, &c. See II. 122 and II. 316.

‡ See II. 292.

that of 1842, the second that of 1845, and the third that of 1846. Yet even in 1853 the principle of complete freedom of trade was not fully carried out. For another seven years protective customs duties were maintained on some forms of manufacture, on some forms of food, and on some colonial products.

The import duties on all semi-manufactures (except timber), and on manufactures in their preliminary stages—namely, certain sorts of linen and cotton, silk and worsted yarn, manufactured skins, and some manufactures of hair, copper, lead, tin, and other materials—were abolished. Protective duties were, however, to be still maintained "on the last stage of the finished article." But the duties on foreign manufactures were in most cases reduced by one half, bringing them to the level of those charged on similar goods from British possessions. The duty on cotton, on linen, and on woollen goods, was reduced from 10 to 5 per cent. *ad valorem*.* The duties on the costlier manufactures of metal were fixed at from 2s. to 15s. the hundredweight, the inferior sorts being admitted free. The silk manufacturer, always especially favoured, was still to retain his substantial protective duty of 15 per cent. against foreign imports, and the duty of 10 per cent. on lace was now reduced.

All the differential duties, as between foreign and colonial manufactures, disappeared.† In accordance with the report of a committee, "rated" duties—i.e., duties levied on the bulk or according to quantity—were, as far as possible, to be substituted for "ad valorem" duties—i.e., duties varying according to value.‡ The additional fractional duties levied on innumerable articles, under Baring's vexatious 5 per cent. levy of 1840, was struck off.

* See I. 62.

† The differential duties on some articles of food, timber, wine, spirits, &c., were, however, still maintained, most of them until 1860. A differential duty may be defined as one differing in amount for goods of the same quality, according to the place from whence they come.

‡ The Select Committee on Customs of 1851 and 1852 (*P. P. No. 498 of 1852*) reported (p. 16) that "the number of articles subject to *ad valorem* duties may be largely reduced with advantage to trade, and without material loss to the revenue"—and they stated that they had "strong evidence" how difficult it was to "assess duties varying on different classes of the same article"—especially in the case of tea (before the last change), sugar and nutmegs—"because the natural desire of the importer is to introduce articles of very highest quality admissible under the lowest rate of duty." A statement in itself containing one of the strongest arguments for free trade.

The customs duties on glass,* nine in number—the excise duty had been abolished by Peel—were, with the exception of those on certain flint cut and fancy glass, to be gradually abolished. The remaining duties disappeared in 1860. At a cost of only £50,000, unproductive duties, and duties on semi-manufactured articles, to the number together of 123, were to be repealed. At a similar cost, 133 other small duties were to be reduced. At a cost of £230,000, the duties on thirteen articles of food, chiefly fruit, raw or dried, and dairy produce, were also to be reduced.† The import duties on seeds, practically a duty on the raw material of an agricultural industry, reduced by Peel, disappeared.

In all, no less than 146 different customs duties, heads or sub-heads, were repealed, while 242 were reduced. The list of taxes repealed included the most heterogeneous assortment of odds and ends. Paint brushes, blacking, and spectacles; preserved cucumbers, hams and honey; fish (including turtle—in contradistinction to the railway official's well-known dictum that "tortoises is hinsecks") and anchovies (not included as "fish"); poultry and game, alive or dead; cider, perry, elder-flower water; carriages, furniture woods, and pictures.‡

The duties reduced were still more incongruous, the surprising thing in regard to most of them being, not that they were reduced, but that they were not at once repealed. They included a very large number of duties on articles of food, mostly protective and differential, such as those on apples, pears, oranges, lemons,|| nuts, dates, grapes, onions, medlars, &c.; on butter, cheese, and eggs; on biscuit and on bread;—duties finally repealed in 1860.

They further included a vast number of duties on fancy articles, also repealed in 1860, such as on clocks, "musical harmoniums,

* For instance, there was a duty charged on "all plate glass, cast or rolled, of whatever thickness, however small each pane, plate or sheet, whether silvered, polished or rough." Another if "painted, or otherwise ornamented." A third on "all white flint glass bottles, not cut, engraved, or otherwise ornamented, and beads and bugles of glass," and so on, in the endless and costly specifications and distinctions that are necessary under a system of manifold customs duties. The whole of the duties only produced about £10,000 a-year.

† 16 & 17 Vict. c. 54.

‡ The duty on "pictures" used to be a shilling "each picture," "and further—the square foot" another shilling! As though we were Western Americans, who are popularly supposed to buy their pictures "by the square yard." The duty produced £2,370 a-year.

|| From 2s. 8d. to 8d. per bushel. Huskisson had reduced the duties on these fruits by one-third in 1826.

or seraphines," hats and bonnets, jewels, dice, artificial flowers, perfumery, canes, umbrellas, toys, down to daguerreotype plates.

The duties on candles, soap, starch, paper, and tallow were reduced, though left in existence until the fifth revision. Those on raisins and plums, maintained, even now, for revenue purposes, were also reduced.

The excise duty on soap—the tax on cleanliness, injurious to health, affecting the comfort of the people, vexatious and injurious to the manufacturer—was abolished, at an ultimate cost of over a million a year. The tax had been in existence for nearly a century and a half, and was, with the exception of that on paper, the last remaining of the series of excise duties imposed on home manufactures in the eighteenth century.* The customs duty on soap was also very considerably reduced to 8*d.* per hundredweight, a duty to be finally repealed in 1860. It was proposed to reduce the stamp duty on newspaper advertisements by two-thirds. The House, however, determined to go still further, and in spite of the protests of the Government, abolished the tax. Two years later the last remaining tax on newspapers disappeared.† The life insurance duty was reduced from 2*s.* 6*d.* to 6*d.*; and hopes were held out that the duty on fire and marine insurance would soon follow suit.‡ The hackney cab and post-horse licences were simplified and reduced.||

Two very beneficial reforms were carried through. In lieu of the varying and graduated stamp duties on receipts and drafts of

* The duty on soap was imposed in 1712. In 1782 the duty was at the rate of 2½*d.* a pound on "hard," and 1¾*d.* on "soft" soap. Vansittart, when forced to give up the income tax in 1816, raised the duty on hard soap to 3*d.*; a duty, that together with those on the other taxed materials of which soap was made, represented a burden of from 120 to 130 per cent. on the value. Soap was, however, so indispensable an adjunct of daily life, that, in spite of the heavy duty, its consumption continually increased. In 1833 Althorp reduced the duty from 3*d.* to 1½*d.* on hard, and from 1¾*d.* to 1*d.* on soft soap, duties which were increased five per cent. by Baring's levy of 1840.

The reduction of duty at once encouraged the consumption. By 1852 the reduced duty was producing very nearly as much as did the double duty in existence before 1832.

† See *II.* 104. The advertisement duty was at the rate of 1*s.* 6*d.* for each advertisement (reduced from 3*s.* 6*d.* in 1833) without regard to its length. The newspaper tax was, generally, at the rate of a penny a sheet, reduced from fourpence in 1836.

‡ The life insurance duty dated from 1808. The duty, now very minute, ranges from a penny to a shilling on policies varying from under £10 to £1,000. On policies above this sum the charge is 10*s.* for every £1,000. The duty on fire insurance was reduced in 1864, again in 1865, and repealed in 1869. The marine insurance was reduced and simplified in 1867, and still remains in force.

|| See *II.* 95-6.

£5 and upwards, the duty varying between 3*d.* and 10*s.*, and the receipt having to be made out on stamped paper, a uniform system of "penny taxation" was introduced, and the use of adhesive stamps was allowed—the necessity of a stamp being, however, carried down to receipts of £2. This has been one of the most successful among minor fiscal reforms; and the system has been found to be so convenient to business men, and so profitable to the Exchequer, that it has been gradually extended to many other instruments, while the use of adhesive stamps in lieu of stamped paper has also been extended to stamps of higher denominations. In 1881, the ordinary penny postal stamp was allowed to be used instead of the special "receipt" stamp.* On bills of exchange and promissory notes, instead of the heavy and irregular charges, with their "short date" and "long date" bills, the lowest duty being £2, Mr. Gladstone substituted a minimum 1*d.* duty below £5, gradually rising by steady steps of 1*s.*, for each £100 of value, up to a limit of £4,000—a limit which was subsequently abolished in 1860, when an extra 10*s.* stamp for every additional £1,000 was imposed. These stamp reforms were still further extended by Mr. Lowe in 1870, when he consolidated the stamp laws.†

The other improvement made was in the assessed taxes. Instead of varying and progressive duties, and higher proportionate charges for each additional article kept or used, combined with exceptions almost as numerous as those in a German grammar, a specified sum was in future to be paid for each article, and all exemptions, except in the case of horses used for agricultural purposes, were to disappear.‡ The discriminating duty on dogs was to be commuted into an uniform charge of 12*s.*, with an exemption for those used in the care of sheep or cattle.||

The tea duty, which Mr. Disraeli, in his Budget of the previous year, had proposed gradually to reduce, was lowered at once from 2*s.* 2½*d.* to 1*s.* 10*d.* per pound. In 1854, the duty was further to fall to 1*s.* 6*d.*, in 1855 to 1*s.* 3*d.*, and in 1856 to

* The number of these "penny receipt stamps" issued in 1886 reached a total of no less than 237,000,000. Adhesive stamps (not all penny) may be now used to denote duties on sixteen different instruments. See Reports I. R. Comm., 1857, 1870, and 1884, &c.

† See II. 105.

‡ See II. 82-95.

|| See II. 84. The duty of 12*s.* was still far too high, and evasion still continued

1s., at which rate it was to remain. The total gross loss by 1856, with the duty at a shilling, would be £3,100,000, the estimated net loss, after allowing for recovery from increased consumption, £2,000,000. The net loss for 1853 would be about a million. Finally, under the Act of 1848, the duty on foreign sugar would, in the current year, fall by about 1s. 6d. a cwt., and in the following year would be reduced to that charged on colonial sugar.

The total gross loss from all the remissions and reductions would, it was estimated, amount in the year to over $2\frac{1}{2}$ millions, the net loss being £1,656,000. In 1854, there would be a further loss of a million, and when all the reductions had taken effect, the gross loss would be about £5,400,000 a year, a loss which, as already mentioned, would, it was expected, be fully recouped by increased consumption.

The result of these reductions and remissions in stimulating trade and consumption, was most satisfactory. The recovery in customs and excise was truly remarkable. On balance, while the gross remissions under those two heads, amounted in the year to about £1,700,000, the actual receipts of the year from taxation came to one million more than those of 1852, an elasticity of revenue in twelve months of nearly two and three-quarter millions, while in the previous year, in which there were practically no remissions, there had been an increase of the revenue of but some quarter of a million.* The total gross revenue of the year was £59,100,000, and the expenditure £55,800,000, leaving the very substantial surplus of nearly three millions and a half.

But we have not yet completed the tale of the herculean task of the year. Two other great operations, the one fiscal the other financial, were attempted. The customs law was to be consolidated, the interest on a portion of the debt was to be further reduced.

The original funded debt, dating from the time of William III., had been contracted at eight per cent.; † but in the course of

* "The years 1852 and 1853 were periods of great activity, and generally of great prosperity"—Tooke, v. 228.

† The loan from the Bank of England at its creation in 1694 was contracted at 8 per cent. The first 6 per cent. stock was issued in 1706, the first 5 per cent. in 1707, the first 4 per cent. in 1713, the first 3 per cent. (the "Consolidated

the next fifty or sixty years this high interest was gradually diminished, and by 1749 nearly the whole of the funded debt, then amounting to 71 millions, was bearing but four per cent. interest. In that year and the next, the interest on the four per cent. stock (amounting to nearly 60 millions) was converted partly into $3\frac{1}{2}$ per cent., and partly into 3 per cent., at a saving of about £400,000 a-year. In 1756, under the arrangement of five years before, the greater portion of the $3\frac{1}{2}$ per cents., then amounting to about 38 millions, fell to 3 per cent., and, with the exception of six millions of $3\frac{1}{2}$ per cents., the whole of the ninety millions of debt, was now in 3 per cent. stock. The money required for the seven years' war was borrowed either in four per cents. or in "consolidated threes." The money for the American war, and the wars arising out of it, was provided by the issue, as well, of five per cents. and "reduced threes."

In 1786 the funded debt amounted to £240,000,000, of which £34,000,000 was in four per cents., and £18,000,000 in five per cents., the rest in three per cents. At these respective figures the debt substantially stood when the great war began. Pitt, and his successors, raised the bulk of his loans in three per cent. stock;* and, in 1815, the total funded debt amounted to £816,000,000, of which (in round numbers) £150,000,000 was in five per cents., £75,000,000 in four per cents., £11,000,000 in three and a half per cents., and the remainder—£580,000,000—in three per cent. stock. In 1822 Vansittart converted the outstanding five per cent. stock, then amounting to £153,000,000, into four per cents.; and effected a saving of interest of some £1,200,000 a-year.†

In 1824 Robinson converted about £76,000,000 of four per

Annuities") in 1722, but until 1742 only a very little 3 per cent. stock was issued. The outstanding 8 per cent. stock—amounting to £3,200,000—was converted in 1707 and 1708 partly into 6 per cent. and partly into 5 per cent. stock. The 6 per cent. stock—amounting to £21,000,000—was (with the exception of one small annuity) converted in 1716 and 1717 into 5 per cent. The 5 per cent. stock—at one time amounting to £46,400,000—had, by 1730, been practically all reduced to 4 per cent., the chief conversion taking place in 1727. (See Debt Return, P. P. 443, 1858; out of print.)

* See II. 202 n.

† The amount of saving in this and in other years is given differently by different authorities; my figures are taken from those calculated out by McCulloch in his *Treatise on Taxation and the Funding System*. See also Debt Return of 1858; Fenn on the Funds (ed. 1854); Northcote, Chap. iv.; Dudley Baxter, *National Debts*; Porter, Sec. iv., Chap. ii. P. I. & E. II.; as well as the respective introductory speeches of Chancellors of Exchequer, &c., &c.)

cents. into three-and-a-half per cents. In 1830 Goulburn further reduced in the same way £153,000,000 of stock; the former conversion effecting an immediate saving of about £380,000, the latter of about £750,000. In 1834 Althorp converted £10,600,000 4 per cents. into $3\frac{1}{2}$ per cents. In 1844, Goulburn, now again in office, reduced the interest on the £250,000,000 of outstanding $3\frac{1}{2}$ per cents. at once to $3\frac{1}{4}$, at a saving of £622,000, with a further fall to 3 per cent. in 1854, the saving of interest between 1822 and 1854 amounted to £3,700,000 a year. By 1853, therefore, just as a hundred years before, the whole debt was practically once again in three per cent. stock, and "consols" stood just about par.

Conversions of stock from 5 per cent. to 4 per cent., from 4 per cent. to $3\frac{1}{2}$ per cent., from $3\frac{1}{2}$ per cent. to 3 per cent.* had been comparatively easy operations; but "as far as the history of the world has yet gone," said Mr. Gladstone, "we have found three per cent. to be pretty nearly the limit to which we could descend,"† and now an attempt was to be made to reduce this rate of interest still lower, and to create a two and a half per cent. stock. The portion of the debt to be operated upon consisted of the "consolidated" and "reduced" annuities,‡ amounting in all to £490,000,000. The difficulty of the operation consisted chiefly in the fact that, under the terms on which those annuities had been issued, the Government were bound to give a year's notice to the holders before they could redeem them. But no Government could take the risk involved in making themselves responsible for finding five hundred millions of money in a year's time. Compulsion being out of the question, attractive terms had to be offered in order to induce the stockholders to accept the terms proposed, and to commute their stock.

The terms offered were threefold. The holder of £100 of 3 per cent. stock was to be allowed to convert it either into £110 of a new $2\frac{1}{2}$ per cent. stock, or into £82 10s. of a new $3\frac{1}{2}$ per cent. stock, in either case guaranteed against redemption for

* In 1822 the Three per cent. Consols were about 80; by 1824 they had risen to about 95; in 1844 they stood at about par.

In 1739 the 3 per cent. debt reached the highest point ever touched, namely, 107; the lowest point touched was $47\frac{1}{2}$ reached in 1797, and again in 1798. See Van Sommer.

† *H.*, April 8th, 1853, in introducing his proposals, which were taken separately from the Budget.

‡ See *II.* 204 n.

forty years; or into a new form—Exchequer bonds at par, bearing interest at the rate of $2\frac{3}{4}$ per cent. for ten years, and $2\frac{1}{2}$ per cent. for the next thirty years, and redeemable at par.* The first proposal was equivalent to an interest of £2 15s. per cent. for the forty years, plus a bonus of 10 per cent. of Stock; the second would be equivalent to an interest of £2 17s. 9d. for the same period, less a loss of capital of $17\frac{1}{2}$ per cent. The total amount of $3\frac{1}{2}$ per cent. stock to be offered was unlimited, but that of the $2\frac{1}{2}$ per cent. was to be limited at first to thirty millions, for fear lest option should be extensively accepted, and the capital of the debt correspondingly increased. The amount of the Exchequer Bonds was also limited to thirty millions sterling. These terms were offered optionally to the holders of “Consols” and “Reduced.” The same terms were offered to the holders of certain “Patriarchal” Stocks—“South Sea Company Stock,” and South Sea Annuities of different sorts, and an Annuity dating from 1726,†—amounting in all to about nine millions and a half, notice being given them that, if they would not accept, they would be paid off at par in the following January.

The whole scheme was, however, rendered abortive by the growing cloud in the East, and the general uneasiness that began to prevail, together with a bad harvest, which by causing a fall in the price of Stocks, removed all inducement to the holders to convert on the terms originally offered. Only £3,465,000 of Stock altogether was converted; and the result was the creation of £259,000 $3\frac{1}{2}$ per cent. Stock, £2,912,000 of $2\frac{1}{2}$ per cent.‡ Stock, and £418,000 of Exchequer Bonds.¶ And the worst of it was, that notice having been given to the holders of the Small Annuities, those who refused to accept the terms offered had to

* The terms offered by Mr. Childers in 1884 (see *II.* 307) were, for every £100 of 3 per cent. stock either £102 of $2\frac{3}{4}$ per cent. or £108 of $2\frac{1}{2}$ per cent. That offered by Mr. Goschen in 1880 was £100 of $2\frac{3}{4}$ per cent. stock, to fall to $2\frac{1}{2}$ per cent. in fifteen years, for £100 3 per cent. stock (see *II.* 308).

† The original South Sea stocks debt dated from 1712, when the South Sea Company was formed on condition of lending the Government nine millions at 6 per cent. Further transactions followed, the debt being sometimes increased and sometimes decreased, the interest and the form of stock being more than once converted. There were now four different forms of South Sea Debt outstanding, to an amount of £8,920,000. See *Fenn on the Funds*, pp. 16—33; *P. I. and E.* ii. 522, &c.; House of Lords Return, 39 of 1854; Debt Return, 463 of 1858. See *II.* 201 n.

‡ The Stock, however, thus created helped materially, by making a market price, to further conversions of 3 per cent. into $2\frac{1}{2}$ per cent. Stock.

¶ See *II.* 307–8, for the subsequent conversion schemes.

be paid off in cash in January, 1854. By that time Consols had fallen to 91, so that the non-assenting holders of some eight million of Stocks received a hundred pounds for £100 Stock, which was at the very time worth only £91 in the market. Moreover, the necessity of finding some eight millions in cash in order to meet the calls greatly reduced the balances, and hampered the Exchequer just at the moment when—war being imminent—it was most important that it should have had at its command a considerable amount of money.

Far more successful was the attempt again to deal with the consolidation of the customs laws. This, which may be designated the third great consolidation and codification, was carried through by the Chancellor of the Exchequer, with the able assistance of the Secretary to the Treasury, Mr. James Wilson, who combined with it the reform and reorganisation of the custom establishments, and an improvement in the system of warehousing.

The custom law * and practice were, even from the earliest times, intricate and confused, and year after year confusion became worse confounded as fresh duties were added, modified, and altered. In 1660—the year of the Restoration of his gracious Majesty Charles II., which, to the confusion of the Whig or Radical mind, is officially stated in the statute book to have been the twelfth of his reign!—a consolidation was undertaken, and a "book of rates" was drawn up.†

The improvement was but temporary, for only ten years later the "regulations of traffick and commerce had become so numerous, and so intermixed with the great body of the statute laws of the land, that they are both difficult in the discovery and doubtful in the interpretation."‡ A further consolidation, in 1725, was not any more effective. "Duty" was rapidly added to "duty,"

* See, for all this, Report Commis. of Customs, 1857, and other annual reports; Report of Committee on British Customs, p. 148 of 1870; P. I. and E., ii., 406, &c.; Return Committee Customs Great Britain, P. P., 353a of 1823, and p. 498 of 1852; Wilson's speech, *H.*, April 21st, 1853 (well worth reading); Peel's speech of May 10th, 1842; T. D. Hume, *The Law of the Customs*; Tooke, v. 445, &c.; Parnell's *Treatise*; Leoni Levi, *History of Commerce*; Customs Consolidation Act, 1853, &c. &c. For Pitt's Consolidation, see especially Tomline's *Memo.* ii. ch. viii.; Gifford's *Life*, i. 368; as well as Pitt's own speeches on the subject in 1797.

† This book of rates gave the values of 1,139 articles commonly imported, and (actually) of 212 exported, on which duties were levied.

‡ Quoted by Commissioners of Customs, 1857 (p. 17), from the *Index Vectigalium* of 1670.

"subsidy" to "subsidy," "impost" to "impost," not levied, as now, in the form of a mere addition to the existing rate or duty, but for the most part added as a separate charge on particular articles. Thus, by 1797, when Pitt took the matter in hand, there were seventy-three distinct descriptions of custom charge, while some articles were subject to no less than fourteen separate duties, "a bewildering and appalling chaos,"* and one that made it next to impossible for any merchant to calculate beforehand the amount of the exactions to which he would be exposed on importing his goods.

Previous "consolidations" had not gone to the root of the evil, nor really simplified the duties. But Pitt, acting on the recommendation of a commission; repealed all the multifarious existing duties, and substituted in their stead a single duty on each article subject to the customs; while at the same time he abolished the numerous special applications of the moneys, and appropriated the whole of the permanent revenue of the country to the newly created "Consolidated Fund."† He separated also the proceeds of the custom and excise duties, instead of

* Report of Commissioners of Customs of 1857. This Report contains a very interesting account of the old forms of taxation (pp. 17-21, 52-75, &c.); and in the form of a balance-sheet (p. 68) shows the system of levying the customs revenue in existence before and after Pitt's Consolidation Act of 1797.

An example is given of an "inward duty paid entry in 1784" on 20 reams of French royal paper. This one article was subjected to thirteen different duties, amounting in the aggregate to £47 6s., namely:—the "old subsidy," dating from the time of Charles II.; the "new subsidy," from that of William III.; a " $\frac{1}{3}$ subsidy" and a " $\frac{2}{3}$ subsidy," from Anne's time; the "subsidy of 1747," and the "subsidy of 1759;" the "impost of 1692;" the "French duty," also of the time of William III.; the "duty on soap, paper, &c.;" the "additional duty ditto," both from the days of Anne; the "duty on paper, 1784;" and finally the "impost of 1779," and the "impost of 1782."

The "balance sheet for 1785" shows the receipt of customs (amounting in gross to six millions) received from seventy-three distinct heads of imposts or duties. The "Balance Sheet for 1788," on the other hand, shows these heads all consolidated into one $4\frac{1}{2}$ per cent. duty, producing in gross $6\frac{1}{2}$ millions.

The number of "heads" under which the accounts of the customs were kept at the Custom House in 1784 numbered one hundred, and the proceeds were "applicable" to no less than twenty-one different funds—several Sinking Funds, the Aggregate Fund, the General Fund, the Lottery Fund, the South Sea Fund, the Exchequer, &c. (See also Tomline, ii. 236, &c.; Gifford, i. 368, &c., *P. P.*, 353 (a) of 1823.)

† Formerly the produce of the so-called "permanent taxes" was alone carried to the credit of the "Consolidated Fund," the "annual duties"—such as those on salt, sugar, &c.—going to meet the "Supply Grant." The distinction between permanent and annual duties, finally ceased in 1846, and the whole of the revenue of the country now goes to the credit of the Consolidated Fund, out of which is met all the national charges; the debt and so-called "Consolidated Fund" charges having priority, the "Supply" charges being met only from the surplus remaining.

leaving them (as formerly) inextricably mixed up altogether. So great was the mass of legislation requiring repeal or consolidation, that no less than 3,000 separate resolutions had to be moved in the House of Commons for that purpose.

Pitt's Consolidation Act had placed the duties on a proper basis, and produced a momentary lull in the strife of conflicting customs laws, but under stress of war, confusion soon again arose. The number of articles subjected to the customs duty was enormous, and a large number were charged on an *ad valorem* basis,* while a practice prevailed of raising revenue by the additional imposition of an indiscriminate percentage on all existing duties. To meet the evil, successive Chancellors of the Exchequer consolidated and again consolidated†; but each consolidation was carried through with a view to revenue merely, without regard to the results it might produce,‡ leading to an additional form of confusion, and to great anomalies and inequalities in the tariff. Furthermore, the never-ending, still-beginning customs laws rendered each Consolidation Act obsolete almost before "*la reine le veut*" had been pronounced over it.

By 1825, 1,500 laws relating to the department of customs were in existence, contained in 15 folio volumes; and, in that year, the second great reform and consolidation was carried out—a work that may fairly be described as stupendous. The Controller of the Customs in London, James Deacon Hume—a very different person from "Joe" Hume—under Huskisson's directions, separated the living from the dead; embodied the working enactments in eleven Acts of Parliament, and swept away the rubbish that had accumulated for upwards of five centuries.||

* In 1797, there were no less than 1,200 articles subject to customs duties on import (of which 300 were charged *ad valorem*), and still 50 charged on export, and the legislation passed in connection with them filled six large folio (unindexed) volumes: Before 1760, 800 customs laws were passed; between that date and 1813 a further 1,200 acts were added.

+ Especially in 1803, 1809, 1813 and 1819.

‡ Peel, *H.*, May 10th, 1842.

|| The Act (6 George IV. c. 105) which detailed and repealed about 450 existing statutes, is an instructive record of a barbarous and unenlightened system, by means of which trade was "fostered" by our ancestors. The acts repealed date back to the time of Richard II., many of them for the "encouraging and increasing" of trade, generally or specifically—shipping, sail-cloth, woollen and silk trades, herring fishing, linen, &c. Many were for prohibiting the export of such articles as leather, raw hides, wool, and live sheep, or the importation of foreign goods. One act (10 & 11 Will. III. c. 24), which calls itself "An Act for making Billingsgate a Free Market for the Sale of Fish," prohibits the import of fish except in

These "eleven acts"—of a somewhat different character from the "six acts" of the same Government, before it became purged and was clean!—began at once to be swelled by supplements, which, by 1853, had attained to considerable dimensions.

The order and uniformity that had, during the last ten years, been introduced into the fiscal system, and which were now to be carried still further, necessitated, while they rendered comparatively easy, a fresh consolidation and codification of the customs law. Two acts—one embodying the law, the other embracing the tariff—took the place of Mr. Hume's eleven, and technical terms being discarded, and plain and simple language used, they were "equally clear and notorious to those who have to administer as to those who have to obey." *

From about this time, date also some of the very considerable improvements made in the system of calculating and stating the annual imports, and in the mode of presenting to the public the statistical figures of trade and commerce prepared by the Board of Trade.

British ships. Another act (5 George II. c. 22) had for its object to prohibit the "exportation of hats out of any of His Majesty's Colonies or Plantations in America, and to restrain the number of apprentices taken by the hat-makers in the said Colonies or Plantations," all in order "the better to encourage the making of hats in Great Britain;" and some years later (24 George III. c. 21), with the same laudable object, the export of British "hare skins, hare wool, and coney wool," was prohibited.

There are innumerable statutes directed against smuggling—all of which, however, went the wrong way to work, "prevention" instead of "cure" being the object, the latter, in spite of the proverb, being really in this case the best.

* Com. of Customs, 1857, p. 20. See Wilson's Speech, *H.*, April 21, 1853. The act was prepared by Mr. Hamel, the solicitor to the Board of Trade. A further Consolidation Act was passed in 1855, from which it appears that there were then 1,191 different specifications of imported articles in the tariff, of which 440 were still subject to duty.

CHAPTER VII.

FREE TRADE.

1842—1853

THE period of twelve years which we have had under review in the last two chapters, was that of the practical inception and the real adoption of the principle of unrestricted commercial intercourse, of that freedom of trade which Cobden once finely called the "international law of the Almighty."

The broad principle of free trade is the principle of "laissez-faire" as applied to trade, commerce, production and consumption. The belief on which it is founded cannot, I think, be better expressed than in the words of Sir Thomas Farrer; namely, that "the maximum of production, and of employment which is necessary to production, is to be obtained by allowing everyone to produce, sell, and buy as his own interest dictates; that any interference with this freedom is a restriction, not only on consumption but on production; and that any such restriction must diminish the aggregate production and employment, as well as the consumption of the country."* Each one knows better than any Government how he can best buy or sell to advantage. Any interference, therefore, on the part of the Government, for the purpose of increasing production, if operating by way of restriction, cannot improve, and must injure trade. The executive can, indeed, by legislation temporarily benefit one class or one industry, or curtail the imports from other countries; but it can do either of these things only by injuring the general trade of its

* *Free Trade versus Fair Trade*, by Sir T. Farrer.

The merchants and traders who petitioned Parliament in 1820 in favour of freedom of trade, founded their argument on the ground, that the maxim which regulates every merchant in his individual dealings is best for the trade of the whole nation—that he should consult unfettered his own interests.

own country, inasmuch as the aggregate demand for production is thereby diminished.

These, I take it, are the principles on which a policy of free trade is founded. Of course in this "piece-meal world" no policy and no principle can be carried to its strict logical conclusion. "Laissez-faire" must be largely tempered by philanthropy. The State, accepting the principle of free trade, leaves people generally to mind their own business. But, at the same time, it interferes—in many cases most advantageously, in others perhaps somewhat disadvantageously—to fetter their action, and to order their commercial comings and goings. Human life, health, happiness, sobriety, and order must all be considered; and so, abstract liberty of production and consumption is hedged round with manifold and minute regulations and restrictions—factory acts, railway safety and mercantile marine acts, licences and restrictions on the manufacture and sale of intoxicants, penalties against adulteration, and many statutes—all with a view to bring about the greatest real liberty of the greatest number.

By the negotiation of commercial treaties, the State—though it may thereby remove impediments to trade in other ways—subjects trade and industry to hard and fast rules and duties. Revenue must be raised; but the imposition of any indirect taxation (whether customs or excise), however levied, interferes greatly with freedom of trade. In order to minimise fiscal interference, free-traders lay down the principle that taxation should be imposed for revenue purposes alone. That, therefore, as between articles of the same kind, as between the home, colonial and foreign, producer, manufacturer, dealer, importer or exporter, no distinction whatever should be made. Thus, it follows, that where a custom import duty is charged on any article of home production, a similar and simultaneous excise duty ought also to be imposed. Further, in order to ensure that the State shall not foster or encourage one trade at the expense of another, and that there shall be no legislative interference with freedom of intercourse, all prohibitive, protective, differential, and discriminating duties are forbidden.

Again, as the fewer the articles burdened with duty the less the interference with trade, the number of duties levied ought to be reduced to a minimum; and, as far as the State in its wisdom can do so, it should choose out those by which the necessary revenue

can be raised most evenly, most easily, at the smallest cost and discomfort, and in the manner least burdensome to trade. Such is the doctrine of free trade, and in accordance with it, the old system of bearing lightly on an infinite number of points, heavily on none,* has been gradually discarded, and for it has been substituted the policy—a policy since carried to extremes—of levying duties on as small a number of articles as possible, and on articles of general consumption only.

Acting on these principles, the taxation tariff has been cleared of every article that did not produce a large revenue. The burden has been transferred from the raw material to the finished article, and altogether removed from exports. In order to avoid the vexatious, restrictive and hampering regulations on trade, the additional capital, and the heavy cost of collection entailed by excise duties, the necessary taxation has been confined, as far as possible, to articles which cannot be produced at home. Indirect taxation has been gradually reduced within narrower and narrower limits; and direct taxation has, to a large extent, permanently taken its place.† The restrictions on the carrying trade of the country have been removed. Increased warehousing facilities have been given to the importer or producer of taxable commodities, and he has been permitted to pay the duty at the time most convenient and least burdensome to himself. In the collection of the remaining excise duties, the necessary interference with the processes of trade for the protection of the revenue against fraud and evasion, have been minimised. In a word, taxation is, as Mr. Lowe once said it ought to be, levied more and more with a view, “as far as possible, to leave things as it finds them, and not to give people inducements to alter their method of trade, and do things which do not tend to the improvement of the revenue.”‡

* The old principle of taxation was thus defined by Arthur Young: “If I was to define a good system of taxation, it should be that of bearing lightly on an infinite number of points, heavily on none. In other words, that simplicity in taxation is the greatest additional weight that can be given to taxes, and ought in every country to be most sedulously avoided.” As a matter of fact, the practical application of this principle had resulted in heavy pressure being applied to a multitude of points, relief to none.

† It is the desire to carry out to its fullest extent the principle of freedom of trade that induces many to advocate the supersession of most or all indirect taxation by direct. It is self-evident that, as regards interference with trade, the cost of collection, and the increase in price due to the payment of the duty by the trader, indirect taxation is infinitely more burdensome than direct. But alas! direct taxation being the more obvious, is the least popular.

‡ *H.*, April 11, 1870.

True, by 1853, all these things had not yet come to pass. But the principle and policy of unrestricted competition was already substantially accepted in its fullest sense, and time, opportunity and talent, were alone wanting to bring the great work to completion.

In considering the outcome of this period, too much is, I think, as a rule made of the abolition of the corn laws ; too little of the abolition and reduction of other prohibitive, protective, vexatious or unremunerative duties. The corn duty was a larger, and a more attractive theme than the tax on stockings, on hats, or on onions ; while it was apparently inextricably interwoven with the interests of the class which had heretofore governed the country ; and hence it was more hotly attacked and more desperately defended than any other protective duty. To a very large extent it was no doubt, as Cobden once described it, the "foster-parent of all other monopolies." But it was, after all, only a part of the general system of "protection," and some time before the corn laws themselves were touched, the fiscal policy of Peel had made free trade inevitable in every article of food and commerce. The abolition of the corn laws helped to hasten the further repeal of restrictive fiscal legislation, but their abolition was the effect and not the cause of the general acceptance of the free trade doctrine. Their abolition neither laid the foundation nor crowned the edifice of free trade : the foundation was laid in 1842, the coping-stone was put in 1860.

This first free trade era—dating from the accession of Peel and ending with the breaking out of the Crimean war—was coincident with great expansion of trade, and great increase in national wealth and prosperity. How far this prosperity was due to the effects of free trade, or how far due to those other forces, which, coming into play during the same period, did so much for the wealth and commerce of Great Britain, it is impossible to say.

It was an age of invention as well as of fiscal reform : an age of enterprise as well as of increased fiscal freedom : an age of gold discovery as well as of improved financial credit. And it would be as absurd to place the whole of the consequent expansion to the credit of free trade, as it would be to deny that the increased enterprise, growing commerce, and improving revenue were in a

great part due to the unshackling of trade, and the improvement of the whole fiscal system.*

The period was, as Porter well calls it, "an age of locomotion;" stagnation gave place to movement; time and space were abridged. The vast improvements that took place in the means of communication, both by land and sea, created a revolution in the social and commercial habits of the nation. The England of to-day, though in many respects vastly different, is substantially the same as the England of 1853. But, without exaggeration, it may be said that, socially and commercially, the England of 1853 was distinct altogether from the England of five-and-twenty years before. About 1828 railways were practically non-existent: steamers were small in size and few in number: telegraphy was unknown: the postal service was costly and irregular. In 1853 an efficient railway system intersected the country: steamers already ploughed the ocean in every direction: the Postal service was cheap, constant, and regular: the Telegraph was beginning to show its wonderful power.†

The year 1830 marked the real starting point in the history of the railway movement. Goods had indeed for some time past been drawn short distances by steam power, but now far longer distances were to be covered, and passengers as well as goods were to be accommodated. The Liverpool and Manchester Railway was opened in the September of that year—men noted the opening at the time, chiefly for the tragic occurrence which cast a gloom over the ceremony—and a workable passenger railway of considerable

* In an elaborate and ingenious argument, in the *Nineteenth Century* for December, 1880, Mr. Gladstone endeavours to distinguish that part of the expansion of trade between 1830–1876, which was due to the "liberation of intercourse," from the part due to the "railway factor"—including under the term, railways, telegraphs, steamships and postage facilities. He estimates that of the whole increase in the export trade—some 162 millions—thirty per cent. was due to the latter, and seventy per cent. to the former cause. I do not however, myself, believe that it is possible really to distinguish the one factor from the other, or to say with any approach to accuracy, what proportion each has to the whole. See Mr. Newmarch's exhaustive article and tables in *Statistical Journal*, June, 1878.

† Sir John Lubbock has called my attention to the fact that when, in 1834, Sir Robert Peel was hurriedly summoned from Rome to assume, at the King's command, the reins of power, the only means of communication or locomotion open to him were those which would have been available in the time of Julius Caesar. Mr. Hudson, travelling night and day with the King's message, took nine days to reach Rome. He had left London on the 16th November. Sir Robert did not reach England till the 9th December. Twenty years later, the telegraph, railways, and steamships, would have made the affair one of days instead of weeks.

length was at last an accomplished fact. For a few years more, however, the advance of the new system was slow, experimental, and tentative. Then came the years 1836 and 1837, marked by the first burst of railway activity, which laid the foundation of many of our great lines. Another pause ensued, and it was not until the railway craze of 1844—of which we have already spoken*—that any very rapid extension began. From that time forward, with fluctuations and occasional checks, the history of the railway system has been a history of steady beneficent progress.

At first the construction of railways met with strenuous opposition, and difficulties had to be surmounted. Many land-owners believed that the railways would ruin their property; others, though recognising the pecuniary and commercial advantage of his visit, looked upon the surveyor as their natural enemy, and threw every obstacle in his path. "Mine host of the George" began with grief and lamentation to realize that the days of coaching were over. People of "common sense" pooh-pooed, as absurd, the idea of going fifteen to twenty miles an hour. Nervous people trembled at the prospect. Pious people felt it to be ungodly.†

In 1842 there were in all 1,900 miles of railway open, and the number of passengers conveyed was about 23 millions. By 1853 there were 8,000 miles open, and in that year no less than 111 million journeys were taken. By 1886 the numbers were respectively 19,000 miles, and over 700 million journeys, while the number of tons of goods and minerals conveyed (not given in

* See *I.* 86.

† "Nothing can be more comfortable than the vehicle in which I was put, a sort of chariot with two places, and there is nothing disagreeable about it but the occasional whiffs of stinking air which it is impossible to exclude altogether. The first sensation is a slight degree of nervousness and a feeling of being run away with, but a sense of security soon supervenes, and the velocity is delightful. Town after town, one park and château after another, are left behind with the rapid variety of a moving panorama, and the continual bustle and animation of the changes and stoppages make the journey very entertaining. The train was very long, and heads were continually popping out of the several carriages, attracted by well-known voices, and then came the greetings and exclamations of surprise, the 'Where are you going?' and 'How on earth came you here?' Considering the novelty of its establishment, there is very little embarrassment, and it certainly renders all other travelling irksome and tedious by comparison." Greville (2nd Series, i. 11). "This sensation of flying (going 35 miles an hour) was quite delightful, and strange beyond description."—Fanny Kemble, *Records of a Girlhood*, ii. 164.

See also Mr. Humphry Ward's very amusing account of the perils and inconveniences of a journey in the early days of the railway. ("Locomotion and Transport," *Reign of Queen Victoria*, ii. 99.)

1853) was no less than 254 millions. "Bradshaw" in 1839 consisted of but six pages: the information it now contains requires four hundred. Safety in railway travelling has wonderfully increased. In 1847-49 one railway passenger in every four millions and three quarters was killed, in 1882-85 only one in every fifty-nine and a quarter millions.*

The application of steam to navigation was of somewhat earlier origin.† Successful, if short, steam voyages were made soon after the beginning of the century. In 1820, steam packet boats ran from Dublin to Holyhead, and twenty years later a line of steamers was established across the Atlantic. And not only was the usefulness of the ship largely augmented by increased speed and certainty, but the introduction of iron in lieu of wood, made it possible to construct them stronger and lighter, with greater carrying capacity, and at the same time at a lesser proportionate cost. In 1828 there were 272 steamers belonging to the United Kingdom, with a total tonnage of about 29,000 tons. In 1842 the steam ships numbered 850, with a tonnage of 100,000 tons. In 1853 there were 1,500, with a capacity of 300,000 tons.

The Telegraph was indeed still somewhat in its infancy in 1853. First worked about the year 1837, it was not put to much practical use until ten years later. By 1851 a submarine cable was working between England and France. In 1858 a submarine cable was laid along the bottom of the Atlantic; but the cable immediately ceased to work, and it was not until 1866 that telegraphic communication was successfully established between England and America.‡

The "penny post" had been introduced in 1839.|| Before

* Mr. Ward (in the Essay already referred to) has ingeniously calculated out—for the benefit, I suppose, of would-be suicides—that a man must now-a-days travel for 466 years, night and day, at an average rate of twenty miles an hour, before he can reasonably hope to meet his death. "Very few people," he concludes, "have time even to get injured on the railway."

† Experiments were made in 1795 by Lord Stanhope for "navigating ships of the largest size without any wind, and even against wind and waves." But faithful to official traditions, the Admiralty of the day considered that the method proposed "would not answer."

‡ The Queen's Speech was in 1847 transmitted for the first time to the chief provincial towns by means of the "electric telegraph." Even as late as 1851, Greville notes with astonishment the fact that news of the *Coup d'Etat* arrived in London within two hours after its accomplishment.

|| See *I. p. 39*. The "letter post" dates from the time of James I., but was first organised in the reign of Charles I. The introduction of the "penny post" was due

that time the cost of each letter was considerable, and varied with distance and with weight,* each letter being separately weighed before it was sent off. The postage was not prepaid, and the postman had personally to deliver each letter and to collect the postage, involving enormous delay and trouble both to the post office and to the receiver. The system of "franking" by Members of Parliament and Peers still existed.† Delivery was very irregular, very uncertain, and very unpunctual. The Post Office had a monopoly which they jealously guarded: themselves absolutely without enterprise, they prevented all enterprise in others, except that illegitimate enterprise which they could not suppress. In spite of the great increase of population, of wealth, and of facilities in communication, the Post Office revenue had made no progress since the Peace, a clear proof that the existing system was founded on entirely erroneous principles.‡

Immediately that the Post Office system was placed on a sensible footing, with a uniform charge and prepayment, with deliveries frequent and punctual, an enormous impetus was given to postal communication.

to the initiative, and the indefatigable exertions of Sir Rowland Hill, who, after meeting with disheartening difficulties and obstacles, prevailed, in a marvellously short space of time, by sheer force of reason and character, over an apathetic Postmaster-General, and induced an unwilling Government to adopt his suggestion and to take up the question. In 1839 a Bill was passed which provided for a uniform penny postage for all letters under half an ounce, with payment in advance by means of a stamp. See *Life of Sir R. Hill*, by G. B. Hill (1886). See also, for history of the Post Office especially, *P. J. & E.*, ii. 428-31; Humphry Ward's "Locomotion and Transport," in *Reign of Queen Victoria*, ii.; Porter, pp. 334, 716-26; Levi, pp. 215-19; Macaulay, i. chap. iii.; Peto, chap. iv.; *Ency. Brit.*; Inland Revenue Comms. Reports; Annual Reports of Postmaster-General, &c.

* The postage varied between 2*d.* and 1*s.* 8*d.* A letter between London and Birmingham cost 9*d.*, and with inclosure 1*s.* 6*d.*; between London and Edinburgh 1*s.* 1*d.* For a heavy packet, on one occasion (in 1839), a charge of £11 was made on delivery. It took fifteen hours for the interchange of letters within London itself. (*Hill*, i. 238, 269, 272, &c.)

† A "frank" would pass almost anything—from a greatcoat, a bundle of baby-linen, to a pianoforte. The franks of the members of both Houses numbered nearly 5,000,000 yearly. Lord Campbell notes that in 1839, when franking was abolished, "the loss of consequence from ceasing to be able to frank a letter for a lady or, in travelling, for the waiter at an inn, gave great disgust to many members of both Houses, and made some of them openly declare that there was no longer any use in being in Parliament!" (*Life*, ii. 117.)

‡ There was a very large illegitimate conveyance of letters at a cost considerably less than that of the regular post. In regard to one town it was stated in evidence before the Post Office Committee, that "not one-fiftieth part of the letters from Walsall to the neighbouring towns was sent by post." Cobden stated that only a sixth of the letters from Manchester to London passed through the Post Office. Instead of being considered as a blessing, the Post Office was looked upon as a grinding government monopoly to be evaded where possible (*Hill*, i. 301).

In 1838, the year before the change of system, and the year in which letters were first regularly sent by railway, the number of letters amounted to only 76 millions. By 1853 the number had risen to no less than 410 millions. By 1886 the number of letters had risen to 1,460 millions, in addition to which there were delivered 180 million post-cards, 369 million book-packets and circulars, 151 million of newspapers, and 33 million "parcels"; giving a grand total of 2,193 million of different packets delivered by the post office in one year.

Improved means of communication entailed a greater demand for raw materials, such as coal and iron, facilitated and increased the powers of production, and involved an extension of both internal and external trade, inasmuch as it could now be carried on more easily, more cheaply, more expeditiously, and with greater certainty.* Improved means of communication implied Colonial expansion; and brought into close relationship with the Mother Country the Colonies, before isolated, apart, and sparsely populated. A new world was called into existence to add enormously to the strength, and the wealth, of the British Empire.

This very freedom of communication made for free trade. The fiscal fetters on commerce became more and more evident, more and more galling. The increased rapidity, the increased facility, the increased punctuality in travelling, tended to make vexatious, delays and loss of time that before had been but little considered. "Despatch" became the watchword in the struggle for existence and for wealth; and it was soon found that the dilatory processes due to the complicated customs laws interfered greatly with this aim. Nay more, the introduction of cheap postage materially assisted the labours of the Anti-Corn Law League, by enabling it to spread broadcast over the country its educating literature, a process which the costliness and inefficiency of pre-Hill days

* Porter (p. 303) says that in 1837 there were 54 four-horse and 49 pair-horse mail coaches in England. Their average speed was $8\frac{1}{2}$ miles an hour. The total number of stage coaches licensed in the same year was 3,026. There are now (Ward, ii. 105) 409 express trains alone, which average a journey speed of over 41 miles an hour; and the average rate of railway travelling is about 25 to 35 miles an hour.

The cost of locomotion to the passengers fifty years ago was about 5d. a mile, it now averages about $1\frac{1}{4}$ d.; while the speed being three or four times as great, for those whose time is money the indirect as well as the direct cost is now infinitely less. The saving in the cost on the transport of goods is still more marked.—See Levi, pp. 211, 305.

would have rendered impossible.* And thus was the final consummation materially hastened.

In estimating the factors at work during the period now under review, we must not omit to mention the gold discoveries; those in California in 1848, and the still greater ones in Australia in 1851, discoveries which, taking place, however, near the end of this particular period, did not exercise so great an influence then as later. I am not capable of analysing the effect ultimately produced by the greatly increased supplies of gold on prices and on commerce.† But its immediate effect was palpable. Emigration was stimulated, and the labour market in the Mother Country relieved; while by increasing the wealth and the population of Australia, and to a minor extent of California, the demand for British goods was also increased.

To sum up the financial and commercial results of this period of twelve years. The total expenditure (exclusive of that on war) was in 1841 just over fifty-three and three-quarter millions, that of 1853 was fifty-five and a half. The total amount of taxation imposed between those years was £8,130,000, the amount repealed £16,100,000; a balance of repeal of about eight millions.‡ Of

* "Our League operations," wrote Mr. Cobden to Sir R. Hill, "are the spawn of your penny postage."—*Life of Sir R. Hill*, i. 478.

† The influence of the increased supplies of gold between 1848 and 1856, "modified," according to Tooke, "in the most powerful degree the economical and commercial history of the last nine years" (vi. 135). See Giffen, "Gold Supply," in second series *Essays in Finance*. Evidence before Gold and Silver Commission, especially that of Lord Addington, C. 5248, p. 213.

"By the way" (wrote Darwin in 1852), "my three bugbears are Californian and Australian gold begging me by making my money on mortgage worth nothing; the French coming by the Westerham and Sevenoaks roads, and therefore enclosing Down; and thirdly, professions for my boys." And a few months later, "Oh! the professions; oh! the gold; and oh! the French—these three oh's all rank as dreadful bugbears." *Life and Letters of Chas. Darwin*, i. 381, 384.

In 1803 (to quote the figures given by Messrs. Tooke and Newmarch, vi. 141), the gold and silver together in existence in various forms amounted to 992 millions, and in 1848 to 1,360 millions (of which gold 560 millions). The annual production of the precious metals in 1800 was 12 millions; in 1848, 18 millions—of which gold $11\frac{1}{2}$ millions. Between 1848–56 the total production of gold was £174,000,000 from the "new sources," or 31 per cent. on the stock (560 millions) existing at the commencement of the new epoch. In 1856 the annual gold production was 38 millions. The Editor of *Fenn on the Funds* (4th edition, 1854) points out (p. 78) that the gold received by the Bank rose from 6 millions in 1850 to $18\frac{3}{4}$ millions in 1852.

‡ This is assuming the succession duty to produce about half a million a-year on the average, and not the two millions assumed in the different official returns. The revenue derived from the income-tax (before the addition of 1853) is given as £5,100,000, in 1852 the tax was producing about $5\frac{1}{2}$ millions.

These calculations of taxes imposed and repealed are at the best but roughly

the total taxation repealed, £2,870,000 was direct and £13,240,000 indirect. Of the taxation imposed, £7,100,000 was direct and £1,030,000 indirect. The net result of the whole being, that while of direct taxation there was on balance an imposition of $4\frac{1}{4}$ millions, of indirect there was on balance a remission of $12\frac{1}{4}$ millions.* The net remissions on the customs duties amounted in the same period to just under $10\frac{1}{4}$, those on the excise to 2 millions: in all, $12\frac{1}{4}$ millions. In the year 1841, the customs and excise together produced $38\frac{1}{4}$ millions of revenue, and in 1853 they produced $38\frac{3}{4}$, showing within this period an elasticity of tax revenue, depending on consumption and increase of trade, of but just under 13 millions.†

The facts regarding the expansion of trade can be put in a small compass. The official "return of the imports" it would be worse than useless to give, for, during this period, and up to 1854, the old perverse and misleading system of "official value" still prevailed.‡ But between 1841 and 1853 inclusive, the "real

accurate; for they are in the nature of an estimate rather than of an accurate account. The amount of revenue given in the official returns as lost or gained is (up to 1865 at least) merely the Budget estimate, which may or may not be substantially correct: again, the loss or gain is that of a full year at the time of remission or imposition, an amount that is sure either to exceed or to fall short of the actual amount lost or gained in any subsequent year.

* *Direct*.—Imposed income-tax £5,850,000, stamps (including succession duty £500,000) 655,000, house duty £600,000; total £7,100,000. Repealed window-tax £1,880,000, stamps £990,000; total £2,870,000. Balance imposition £4,230,000.

† *Indirect*.—On customs and excise the impositions were in 1842, in the spirit duty, and the duty on the export of coal, and in 1853 also on spirits.

‡ See Com. Customs, Appendix to Report, 1857, p. 107; ditto, Inland Revenue, p. 180; Statistical Abstract, C. 144, 1870, and C. 82 I, 1870. See also, Tooke, vol. v. pp. 391, 394, and 454. Tooke gives somewhat different figures from the above, which are official.

§ The Board of Trade was created in 1670, and some thirty years later Dr. Davenant (a well-known writer on fiscal and financial subjects) was appointed "Inspector-General of Imports and Exports," and initiated a system of statistical returns of trade. But instead of any attempt being made to arrive at the ever-fluctuating value of the exports and imports, an arbitrary and fixed "official value" was put on each article, and however much the value might really have altered, at that figure it continued to be taken for the purposes of the return. Neither could the quantities of goods exported and imported be correctly judged from the returns, the system of calculation being on an erroneous and varying basis. Thus the returns relating to British trade were absolutely fallacious. This system lasted until 1798 as regards the exports. In that year certain "ad valorem" convoy duties were imposed, and, in order to assess the duty, merchants were required to declare the real value of their exports of English produce or manufacture, and these figures were published along with the "official values," and represented more or less the true value of the exports. This system of declaration still prevails as regards exports. As regards the imports, no substantial change was made in the system on which they were calculated until 1854, though its absurdity became every year more evident in consequence of the increasing discrepancy apparent between the "official" and the "real" value

value" of the exports (British produce) had increased from 47 $\frac{1}{4}$ millions—or £1 15s. per head—to no less than 90 millions, or £3 11s. 10d. per head, and we may fairly assume that the imports, and the whole trade of the country, had correspondingly increased.* One other test, an internal test, as the exports are an external test, may be taken, for what it is worth. When imposed, in 1842, the sevenpenny income tax was producing about five millions a year, by 1853 it was producing six.

If the results of these twelve years be compared with those of the previous twelve, a striking difference is apparent. In the twelve years from 1830 to 1841 (inclusive) the balance of taxes repealed was substantially the same as that of the period from 1842 to 1853—7 $\frac{3}{4}$ against 8 millions. But, while in the former period, the remissions of indirect taxation only amounted to 7 $\frac{3}{4}$ millions, in the latter period they came to 12 $\frac{1}{4}$ millions, while the remissions were themselves of a very much more judicious character. The export trade in the earlier period increased from thirty-eight to about fifty millions, while, by the end of the latter period, the fifty millions had increased to one hundred.

But to whatever extent other causes may have contributed to that expansion of British trade and commerce which arose in the period now especially under review, few probably would be disposed to deny the fact that the adoption and extension of freedom of trade was a powerful factor in the situation; and that unhampered by protective duties, England was in a better position than she otherwise would have been to take advantage of the natural forces also at work.

The first spurt and the second spurt are over; and while, for divers reasons, England no longer retains the overwhelming

of the exports. In 1854 was introduced an elaborate process of valuation, by means of average prices obtained by the Board of Trade, and this still prevails.

The utterly fallacious basis of the "official value" is best shown by a few figures.

For instance, in 1805, the value of the exports of the produce and manufacture of the United Kingdom was returned "officially" at 23 $\frac{1}{4}$ millions, the "real" declared value at 38 millions. In 1817 the two amounts were as nearly as possible the same—some forty to forty-one millions—the official values having increased and the real value having remained almost stationary. In 1840 the "official value" was 102 millions, and the "real value" exactly half that sum. By 1853, when the old system came to an end, the former had risen to 214 $\frac{1}{4}$ millions, the latter stood at but 99 millions. (See Report Com. Customs, 1857, pp. 100 and 118-25.)

* Year ending Jan. 1842. See *Stat. Abs.* of 1870, C. 144. The exports in 1840 were 51 $\frac{1}{2}$ millions.

supremacy in manufacture and predominance in trade that she once possessed, it is generally (I think) felt that the supremacy and the predominance which still are hers, would be seriously and adversely affected by any return to a system of Protection, or by the imposition of manifold import duties.

The cause of Free Trade has undoubtedly suffered, as every case which is overstated must suffer, from the zeal of its advocates ; and it is a lamentable fact that the name of Cobden is now seldom quoted in any controversy on the question, except by some adversary, who triumphantly points to the refutation of one of his too sanguine prophecies. Our acceptance of Free Trade has not been succeeded by the universal adoption of the doctrine throughout the world; it did indeed tend to the relaxation of foreign tariffs, but no other nation has unreservedly followed our example. But the non-fulfilment of the prophecies made by the early Free Trade missionaries does not, however, in any way affect the principle of Free Trade. And it ought to be remembered, that both Peel and Cobden laid down the principle—a principle which found favour in their time, if now somewhat under a cloud—that, whether or no the example of England prevailed, the existence of hostile tariffs, so far from being an objection to continuing the policy of freeing trade, was an argument in its favour ; and that the best way to compete with hostile tariffs is to encourage free imports.*

To the creed of Free Trade the nation as a whole still firmly clings, and accepting it as an axiom, have, up till lately, given it little thought, except when an occasional “pious opinion”

* “I fairly avow to you that in making this great reduction upon the import of articles, the produce and manufacture of foreign countries, I have no guarantee to give you that other countries will immediately follow our example. . . But, nevertheless, your export trade has been constantly increasing . . notwithstanding their hostile tariffs. . . I say therefore to you, that these hostile tariffs, so far from being an objection to continuing your policy, are an argument in its favour. But depend upon it your example will ultimately prevail. . . That is my firm belief ; I see symptoms of it already.” (Peel, *H.*, Jan. 27th, 1846, p. 276).

Again, in 1849, in reply to Disraeli, he said :—

“I contest the honourable gentleman's assumption that you cannot fight hostile tariffs by free imports. I so totally dissent from his assumption that I maintain that the best way to compete with hostile tariffs is to encourage free imports. . . I contend that by the attempt at retaliation you would aggravate your own loss . . to re-establish duties upon the import of foreign produce to be regulated by the principle of reciprocity, would be accompanied with insuperable difficulties.” (*H.*, July 6, 1849.)

has shocked their orthodoxy, and confirmed their faith. The principle of Free Trade is now again called in question. But it has not now, for it does not require, the vehement advocates of yore, for that which, as Bagehot says, "a hundred years ago was a heresy and a paradox," has since become an "accepted maxim of tedious orthodoxy." *

* *Economic Studies*, p. 97.

CHAPTER VIII.

THE CRIMEAN WAR.

1853-58.

A WAR-CLOUD, at first no bigger than a man's hand, had arisen above the horizon in the spring of 1853, causing at first, however, little uneasiness. But during the year the cloud grew in volume, and became ever blacker and blacker; and from the moment of the "Massacre of Sinope," in November, it became clear to everyone that war was but a question of time. Diplomatic amenities staved off hostilities for some months, and it was not until the following February that war was actually declared.

There is no occasion to repeat the oft-told tale of the Crimean War—a war that had its origin in a sectarian and personal dispute over the guardianship of the "Holy Places" in Palestine, between the monks of the Greek and of the Latin Churches; should they both have keys, or, if not, which? * The French espoused the cause of the Latins; the Russians, that of the Greeks. The Sick Man, trying to appease both parties, only embroiled them the more. The ambition of a newly-crowned Emperor, the aggressive instincts of an irresponsible Despot, the blundering obstinacy of the Turk, soon transformed this pitiful squabble into a serious quarrel. Gradually, under the fostering care of Lord Stratford de Redcliffe at Constantinople, the dispute grew, and England, little by little, became involved.

Divided councils at home—the Prime Minister and the Foreign Secretary on one side, the Home Secretary and the Leader of the House of Commons, backed by public opinion, on the other

* "Really and truly, this is a quarrel fitter for times long gone by than for the days in which we live."—Palmerston, 1851 (*Ashley's Life*, i. 278).

—vacillations and misunderstandings, drew England into a European war. Her first and last during a period of seventy years; a war declared under the Premiership of the most gentle and peace-loving of English Ministers; a war, now generally admitted to have been, politically, a gigantic blunder. No one quite knew then, no one quite knows now, “what ’twas all about.” We do know that it was not a very famous victory, and that if we were fighting about anything in particular, all the results supposed to have been attained have long ago been relinquished, as either useless in themselves, or as not worth further expenditure of life and treasure to preserve.*

Forty years of peace was soon shown not to have been the best preparation for war. The record of the struggle was a record of hope deferred, disheartening suspense, suffering, and sickness, the army alternately besieging and being besieged; a dreary record, only lightened occasionally by a brilliant encounter, or by a soldier’s victory, won by sheer heroism rather than by strategy. A disgraceful record of gross incompetence and of criminal negligence; of an expedition sent against a fortified town, without any information as to the strength of the place, or the numbers of the defending army; of an army half starved, and half naked within a few miles of plentiful stores. There was caution where energy was required, rashness where caution was essential. The war, declared in the beginning of 1854, dragged its slow length along until the evacuation of Sebastopol by the Russians, in the Autumn

* The completion (1887) of Mr. Kinglake’s history of the struggle—though it by no means ends the war—brings home to the mind the fact of the uselessness of the contest. Long before he had finished recounting the outpour of blood and of treasure, time and circumstances had obliterated the objects for which they were so freely lavished.

By the Treaty of Paris, Kars was restored to the Sultan—Kars is now Russian; the independence and territorial integrity of Turkey were to be respected—successive “consolidations” have left the Sultan but little independent territory in Europe; the condition of the Christian populations of Turkey was to be ameliorated—this has required another war; the Black Sea was neutralised—it is now again a Russian Lake; Bessarabia was annexed to Roumania—it is now again a Russian Province. The free navigation of the Danube alone remains—the solitary unviolated condition of the Peace.

The nations represented at the Conference of Paris did, however, put their hands to some most important resolutions in regard to maritime warfare—resolutions which will profoundly influence the position of England in any future great war. Privateering was to be abolished. Any neutral vessel, except she had contraband of war, was to be able to convey in safety the goods of the enemy; while the goods of neutral nations, except contraband of war, were to be safe from capture, even under the enemies’ flag. Blockades were only to be binding if effectively maintained.

of 1855, and peace was not actually signed until the spring of 1856.

As compared with the wars of to-day, it was, for the Allies at least, not very destructive. It cost the English between twenty and thirty thousand lives,* and some seventy millions of money. In its course, it overturned the unlucky Aberdeen Government. ✓ Their leader in the House of Commons had deserted them; and their mismanagement of the war had brought so low this once popular Coalition Ministry, this Ministry of all the talents, that when the result of the vote which overthrew them was announced, "the House forgot to cheer, and laughed derisively."†

The nation turned to Lord Aberdeen's Home Secretary as the best man to conduct the war with vigour, and to bring them out of their difficulties. As "War Minister," Lord Palmerston was in his element; and profiting by the painfully-learned experience and tardily made preparations of his predecessor, he was enabled to reap the credit denied to him. The latent resources of England were developing, and while the power of her ally, as well as of her foe, was becoming exhausted, her strength was daily increasing. She had entered into the contest more or less unprepared. She emerged from it with "military arsenals much fuller, stores greater, guns more perfect, and troops armed with much more efficient weapons than was the case at the beginning of the war."‡

We were fortunate thirty years ago, inasmuch as we had the opportunity of repairing our mistakes. Such opportunities are not given now-a-days, when improved means of communication, more deadly engines of destruction, greater study of the art of mobilization, have made wars short, sharp, and decisive—the first campaign is usually the last—and have rendered essential an extreme state of preparedness, a state which cannot be maintained except at an enormous annual cost. ?

Throughout the war the financial position of the country was most satisfactory. In certain respects the Budget of 1853 was not ✓ entirely successful; some of its provisions have been called in

* The French are supposed to have lost between 60,000 and 70,000 soldiers, and we flatter ourselves that the Russians lost half a million of men.

† Ashley, ii. 72. The division took on January 29th, 1855. The division was 315 to 148; majority against the Government, 157.

‡ Lewis' Budget Speech, *H.*, May 19th, 1856.

question. But "we should," as Sir Stafford Northcote has well pointed out, "take a narrow view of the whole policy of the year, if we failed to recognize the immense strength which it imparted to the country, and which enabled us to grapple successfully with the difficulties of the following period."* "The Crimean War," he continues, "revealed to us many imperfections in our military system; but the strain on our finances brought to light nothing but their soundness and their vigour."

From another point of view, the war period was financially satisfactory. A determined effort was made to meet a large proportion of the cost of the war by increased taxation, instead of by recklessly adding to the debt. Mr. Gladstone—prompted by the desire to maintain the national credit, as well as by the wish to bring home to the nation something of the burdens of war—immediately imposed fresh taxation, and heavy taxation, and his successor, Sir G. Lewis, in 1855, partially followed his example.

War had been declared in February, 1854, and in March, when the Budget was introduced,† it was as yet impossible for the Government to give any estimate at all of the Supply that would be required in the year. They proposed, therefore, to take a minimum sum, and to ask for more as they required it later on in the year. The Army and Navy estimates had themselves been increased for war purposes by nearly four millions over the expenditure of the previous year,‡ in addition to which a vote of credit for £1,250,000 was to be taken, sufficient to send to the East a force of 25,000. The deficiency on the year would be £2,840,000—estimated revenue, £56,680,000; estimated expenditure, £59,420,000.||

In the estimate of revenue allowance had been made for a further gross loss of about a million and a half of taxation—on tea, on assessed taxes, on sugar, on colonial postage, and on the residue of the soap duty, which, under the arrangements of the

* *Twenty Years*, p. 234.

† *H.*, March 6th, 1854.

‡ Army from £9,300,000 to £11,900,000; Navy from £7,000,000 to £8,300,000.

These figures are the "gross" estimated expenditure and revenue, that is to say, £3,330,000 (see *Statistical Abstract*, 16th number, p. 6) has been added to both sides of the account. The old system of giving only the "net" revenue and expenditure prevailed until 1856. But, throughout, except where otherwise stated, I have adhered to the plan of giving the gross amounts, so that one year can be readily compared with another.

previous year, would now disappear. The steps then taken were not to be retraced, nor the reductions to be interfered with.

The deficiency to be filled up was not very great, and the Government hoped that the struggle would not be a prolonged one. Under these circumstances the resort to borrowing would, contended the Chancellor of the Exchequer, be unworthy of the character of the country. "The expenses of a war are the moral check," said he, "which it has pleased the Almighty to impose on the ambition and the lust of conquest that are inherent in so many nations." The necessity of meeting immediately the expenditure it entails constitutes a "salutary and a wholesome check," making the nation "feel what they are about, and making them measure the cost of the benefit upon which they may calculate."* The whole deficiency was, therefore, to be immediately met by taxation, and for the moment the burden was to be thrown wholly on the income tax, which was to be increased by one half, from 7*d.* to 10½*d.* The additional yield—the whole of the increase being placed on the first half of the year, so that it should all be received in the year—would be £3,300,000, leaving a surplus of nearly half a million.

But by May further supplies were required. The second Budget† was introduced in a portentously long speech, chiefly devoted to an elaborate defence and explanation of the failure of the debt operations of the previous year. The further amount now required for the war was £6,870,000.‡ This sum was also to be provided by taxation. The income tax was to be again raised, from 10½*d.* to 14*d.*—the burden of March was to be doubled—to produce £3,250,000; and the tax, in accordance with precedent, was to continue at the increased rate while the war lasted. Indirect taxation was now to bear some share of the burden. Spirits, malt, and sugar, were all additionally taxed. The duty on Scotch spirits was increased from 4*s.* 8*d.* to 5*s.* 8*d.*; that on Irish spirits from 3*s.* 4*d.* to 4*s.*, to produce £450,000—additions which, like those

* See Sir S. Northcote's comments on this (*Twenty Years*, p. 247, &c.) and on the policy of raising a large portion of the war supplies of the year within the year. The latter are interesting as a comment also on his own action from 1877–80.

† *H.*, May 8th, 1854.

‡ Navy, £4,550,000; Army (including Militia), £1,440,000; besides another general vote of credit of £880,000.

of the previous year, had the incidental advantage of tending to equalise the spirit duty throughout the three Kingdoms.* But England was not to escape. The malt duty was to be raised from 2s. 7d. (and Baring's 5 per cent.) to 4s., an addition which would produce £2,480,000. Under the arrangement of 1848, the duties on foreign sugar (13s. on the medium quality) should have fallen in 1854 to those charged on colonial (10s. on the similar quality). The equalisation was still to be carried through, but it was to be effected by a fall of one shilling instead of three on foreign, and a rise of two shillings on colonial sugar, equalising them at 12s. The change thus made would, it was estimated, produce £700,000. The tea duty was to receive exceptional treatment. Under the arrangement of 1853, that also was to fall in 1854, by fourpence, to 1s. 6d. a pound, entailing a loss of £980,000 of revenue; and, in spite of the increased burden of expenditure, the fall on tea was not to be arrested.

The total receipts from the increased taxation would produce the exact sum required; † making the total imposition of taxation in the year very nearly 10½ millions, of which about two-thirds was direct.

Out of the taxation imposed it was expected that about £6,100,000 would be received within the year, leaving about four millions of arrears to be collected in 1855. In the result, the actual gross expenditure of the year came to £69,000,000, and the revenue to £62,800,000, leaving a deficiency of £6,200,000, against which there were the arrears of taxation still uncollected.

When succeeding Lord Aberdeen, Lord Palmerston had, with one or two exceptions,

“ . . . kept the whole batch in
The same chest of tools, without cleansing or patching,” ‡

and Mr. Gladstone still remained Chancellor of the Exchequer. But almost directly after the formation of the Government, Lord Palmerston, finding it impossible to resist the motion that had caused his predecessor's fall, agreed to the appointment

* The duty on English spirits was at the rate of 7s. 10d. a gallon.

† The loss of £980,000 on tea; an expected loss of from £200,000 to £300,000 on sugar, had, it must be remembered, been already taken into account in the original Budget estimate.

‡ Sir George Grey succeeded Lord Palmerston at the Home Office, and Lord Panmure the Duke of Newcastle in the newly-created office of Secretary of State for War.

of a committee of inquiry into the conduct of the war; and thereupon the Peelites, Gladstone, Sidney Herbert, Sir James Graham, and Cardwell, resigned.* Sir George Lewis, reluctantly accepting office, succeeded Gladstone at the Exchequer,† and upon him it devolved to present the War Budget of 1855.

The estimated expenditure, ordinary and extraordinary, for 1855 was put at (gross) over 90 $\frac{3}{4}$ millions;‡ the revenue (including arrears) at just under 68 millions,||—a deficiency of no less than 23 millions. There were already in force some ten millions of taxation additional to that of two years before, and it would have been to overstrain a good principle to have endeavoured to raise by taxation the whole, or perhaps even the half, of the large additional sum now required. Probably, however, Gladstone, had he stayed in office, would have done somewhat more in this direction than Sir George Lewis thought himself justified in attempting. Twenty-three millions were wanting, and rather under five millions and a half of additional taxation was imposed.

The sugar duty was further raised by about 3s. a cwt., to produce £1,270,000.** The duty on tea, which from the 2s. 2 $\frac{1}{2}$ d. of 1852 had been reduced in 1852 to 1s. 10d., and in 1854 to 1s. 6d., and which this year would in the ordinary course have further fallen to 1s. 3d., was now raised to 1s. 9d., the extra threepence producing £770,000. The duty on coffee, to produce £150,000, was raised from 3d. to 4d. a lb. The duty on Scotch spirits was assimilated to that on English spirits, which itself was to be raised to 8s. The duty on Irish spirits

* Sir C. Wood succeeded Sir James Graham at the Admiralty, and Lord J. Russell, Sidney Herbert at the Colonial Office.

† Writing in 1855 to Sir E. Head (letter printed in preface to *Administrations of Great Britain*), Sir George said that he was "strongly disinclined" to accept the office of Chancellor of the Exchequer. "I had been out of Parliament for two years, I had to follow Gladstone, whose ability had dazzled the world, and to produce a War Budget with a large additional taxation in a few weeks. . . . Gladstone," he added, "has been very friendly to me, and has given me all the assistance in his power."

‡ *H.*, April 20th, 1855.

|| Net £86,340,000 and £63,340,000 respectively, the cost of collection being £4,533,000.

** An addition of 2s. 8d. per cwt. to the duty on sugar in 1790, making it 15s. per cwt., produced £241,000; in 1855, the 3s. added, also bringing the duty up to 15s., was estimated to produce £1,270,000.

was raised from 4s. to 6s. 2d.—the entire spirit duties producing together a million. Thus the indirect taxation would produce about some £3,200,000. A proposed stamp duty, afterwards abandoned, would have produced another £200,000, and the remaining sum of two millions was raised by a further 2d. of income-tax, making it 16d.* Of the total taxation imposed, some £4,000,000 only would be received in the year. This, together with a loan of £16,000,000, and £3,000,000 of Exchequer Bills, made up the deficiency on the year, and left some £1,250,000 to £1,500,000 of revenue to be received in 1856. The year ended with an expenditure of 93 millions;† and the actual deficiency of revenue,‡ instead of amounting to about 19 millions, came to 22 $\frac{3}{4}$, necessitating a further loan for 5 millions.

By the time that the Budget of 1856 || was introduced, peace had been signed and the need of a “third campaign” obviated. Yet though war had actually ceased, a considerable outlay in the nature of war expenditure would fall upon the year. A large proportion of the cost of the preparation for a further military campaign and for naval operations had been incurred; besides which the troops had to be brought back from the Crimea, and the army and navy could not instantaneously be placed on a peace footing. The original war estimates for the army and navy—as first presented to the House—came to some 54 $\frac{3}{4}$ millions; the revised “after damp” expenditure was put at 37 $\frac{1}{4}$ —a reduction of 17 $\frac{1}{2}$ millions. The total estimate of expenditure, including a vote

* Sixteenpence in the pound equals £6 13s. 4d. per cent., considerably short of Pitt's £10 per cent. income tax, but a war burden quite high enough to cause much distress, particularly when combined with a general rise in prices.

In Mrs. Carlyle's piteous “Budget of a Femme Incompromise,” we read that “the doubled Income Tax makes a difference of £5 16s. 8d. yearly. . . . Provisions of all sorts are higher priced than in former years. . . . Coals, which had been for some years at 21s. per ton, cost this year 26s., last year 29s., bought judiciously, too. . . . Candles are, viz. composites, a shilling a pound instead of tenpence; dips, eightpence instead of fivepence or sixpence.” All this making a “difference on provisions” which “cannot be under twelve pounds in the year,” taken out of a yearly income which, when “all was settled to poor Goody's heart's content,” did but amount to £232. (Froude's *Carlyle*, “Life in London,” ii. 162.)

According to Sir R. Hill, both Baring in 1841 and Lewis in 1854 (? 1855) seriously considered whether some further revenue should not be raised by increasing the penny postage to twopence. *Life*, i. 435—6, 449.

† In addition to a loan of a million to Sardinia.

‡ In this year the Newspaper Duty was relinquished at a cost of about a quarter of a million. See *II*. 104.

|| *H.*, May 19th, 1856.

of credit of £2,000,000, to cover any additional expenditure beyond the army and navy estimates, but exclusive of a second million of loan to Sardinia, was now put at £81,113,000, and the revenue at £71,740,000,* leaving a deficiency of £9,373,000.

No taxation was to be imposed to meet this deficiency. And the Government were fully justified in this decision, and in treating the year provisionally and exceptionally. It was already burdened with some fourteen millions of war taxation; and, as large remissions would necessarily be given the following year, further to have increased taxation would have been a needless disturbance to trade.

A considerable saving was ultimately made in the expenditure, while the revenue was somewhat buoyant, and the deficiency (exclusive of the Sardinian loan) added to the debt only came to three and a quarter millions, the actual expenditure amounting to £75,590,000, and the revenue to £73,340,000.

The actual direct cost of the Crimean war—its indirect costliness in permanently increased armaments is felt to this day—amounted to about seventy millions,† of which about thirty-eight millions was met from immediate taxation, and about thirty-two millions was added to the debt.‡ The total war taxation imposed was on

* A change was this year made in the mode of presenting the accounts. For the first time the Budget estimate included the cost of collection on the one side, and the equivalent receipts on the other, that is the expenditure and the revenue were in future given in "gross" instead of "net." The cost of collection this year was £4,671,000.

† Sir George Lewis estimated the total cost of the war at £77,600,000 (*H.*, May 19th, 1856). He arrived at this result by comparing the total expenditure of the three years—1854 to 1856—the last year including also expenditure in the nature of war expenditure—with that of the preceding three years, and assuming that the difference of cost was due to the war. But, as Mr. Chisholm (the compiler of the invaluable *Public Income and Expenditure Report* of 1869) truly points out, only the expenditure on the army and navy should be taken into account in such a comparison as this, the Civil Service expenditure being unconnected with the war. Mr. Chisholm excludes also the increased debt-charges on the ground that "the cost of any article remains the same, whether a person pays for it out of his own disposable money or out of borrowed money. If he has to borrow the money for the purpose, the interest to be paid is a part of the cost of the loan, and is no part of the cost of the article to be paid for by borrowed money" (p. 707). I have preferred to take this estimate of the cost of the war—the total of which is £69,277,000—in preference to that of Sir G. Lewis. Compare Wilson's *The National Budget*, p. 86.

‡ The debt was actually increased by about 34½ millions, the discount on the funded debt created costing the country—if the debt be redeemed at par—above two millions. Twenty-six millions of stock was created; three millions of Exchequer bonds were funded; and the unfunded debt was increased by 12 millions, a total nominal increase of between 40 and 41 millions. But, against this was a net

balance at the rate of nearly fourteen millions a year, of which rather over $5\frac{1}{2}$ was indirect and nearly $8\frac{1}{2}$ direct taxation; and the actual amount received from the war taxation during the continuance of the war and in 1856, was $37\frac{1}{2}$ millions, of which 24 millions was derived from direct and $13\frac{1}{2}$ indirect taxation. The revenue was raised from 59 millions in 1853 to $62\frac{3}{4}$ in 1854, and to $70\frac{1}{4}$ in 1855, and in 1856 it amounted to over $72\frac{1}{4}$ millions. The expenditure in the same period rose from $55\frac{1}{2}$ millions in 1853, to 69 in 1854, to 93 in 1855, and in 1856 amounted to just over $75\frac{1}{2}$ millions. The realized deficiencies came to nearly $32\frac{1}{4}$ millions—£6,200,000 in 1854, £22,720,000 in 1855, and £3,250,000 in 1856—in addition to the £2,000,000 loan to Sardinia, a good asset.*

Scarcely had the country settled down after the excitement of the Crimean war, than the Persian war, the Indian mutiny, the Chinese war, the affair of the "French Colonels," the Austro-French-Italian war, the renewed Chinese war, and increasing suspicions of French designs, rapidly succeeded one another, and kept the country in a state of costly turmoil; and, after the first immediate reductions of the armaments, little scope for further reduction of expenditure was left.

In his original Budget of February, 1857,† Sir George Lewis, on the basis of the taxation of the year before, estimated for a revenue of £74,000,000, and an expenditure—including his sinking fund and special repayment of war debt, amounting together to

increase of over six and a half millions in the balances, leaving the real increase of the debt at $34\frac{1}{4}$ millions, or, deducting the Sardinian loan, of $32\frac{1}{4}$ millions.

The funded debt created was issued at varying prices. The loan of 16 millions in April, 1855, at $87\frac{3}{8}$; that of February, 1856, for five millions, at 90; that of May, 1856, for five millions, at 93. It may be interesting to note that the last war loan—that of 1815—was issued at about 56. See Northcote, chap. v. At the end of 1852 consols were at $101\frac{1}{4}$; at the beginning of 1854 at 91; by the autumn about 94. A three per cent. loan of our allies, the French, was issued in 1855 at $65\frac{1}{4}$, or $22\frac{1}{2}$ per cent. below the price of the English loan. The French loan of 1859, for the purposes of the Austrian war, it may be of interest to mention, was issued at $57\frac{1}{2}$. See Senior, *Conversations with Thiers and Guizot*, ii. 265.

* Exclusive of the Sardinian loan of a million in 1855 and a million in 1856. This was a loan, made by England to Sardinia—who, to give herself a position among the Powers of Europe, for she had no earthly interest in the quarrel, had joined the Allies in 1855—on condition of her sending a contingent to the Crimea. The loan was repayable by instalments in forty years. The interest and instalments have been punctually paid. In addition, England and France between them jointly guaranteed, in case of default by Turkey, the interest on a Turkish loan of five millions.

† Budget Speech, *H.*, Feb. 13, 1857.

£2,250,000—of £65,500,000, giving him a nominal surplus of eight millions and a half. But the estimate of revenue included the war malt-tax, producing some two millions, which had already expired. It included also the so-called “war ninepence” of income-tax,* producing some nine millions; and though, through a clerical error, the extra ninepence did not legally lapse for twelve months, it was impossible for the Government to avail themselves of such an oversight, and to maintain for another year the tax at its war rate.† The “war rates” on tea and sugar, amounting to about two millions and a half, also legally expired at the close of a year after the signature of peace.‡

The position was, therefore, scarcely so brilliant as at the first blush it had seemed; for while nominally there was a surplus of eight millions and a half, some thirteen to fourteen millions of taxation had expired, or would expire unless renewed. The Chancellor of the Exchequer proposed to leave the malt-tax as it stood, relieved of its war charges; to remit the penny of war duty on coffee; to reduce the income-tax from 16*d.* to 7*d.*, and to fix it at that figure until 1860, when, under the terms of the arrangement of 1853, it would legally expire; immediately to reduce the tea duty from 1*s.* 9*d.* to 1*s.* 7*d.*, with a further fall to 1*s.* 5*d.* in 1858, to 1*s.* 3*d.* in 1859, and to 1*s.* in 1860, a point which, under the original scheme, it would have reached three years earlier. The duty on sugar was 15*s.*|| This was to be reduced at once by a shilling, with further reductions of about a shilling a year until 1860, when the duty would average about 10*s.*

* Really a “war elevenpence,” as, but for the suspension of the Act of 1853, the income tax would have fallen to sixpence in 1856, and to fivepence in 1857. The extra war malt tax had come to an end in the July of the previous year, in accordance with the terms of the Act that had imposed it.

† The tax, curiously enough, had been granted during the continuance of the war “and until the sixth day of April which shall first happen after the expiration of one year from the ratification of a definite Treaty of Peace.” The treaty was signed on March 30th, 1856, but was not ratified until April 27th; so that legally the additional duty would continue until April, 1858, or for two years after the war, instead of for the one really intended by the Act.

‡ On tea, at the rate of 3*d.* a pound, producing almost £775,000; on sugar some £1,700,000. But, just as in the case of the income tax, these duties, but for the war, would by this time have fallen still lower—the tea duty to a shilling, the sugar to about ten shillings, viz., on tea a further reduction of at least a million and a half, and on sugar of a quarter of a million.

|| On sugar “not equal to white clayed”—the standard quality quoted throughout. There were at this time five different duties on different qualities of sugar. See *I.* 325.

The total loss involved from all the immediate remissions that would take place would be, for a whole year, £12,000,000,* of which £7,600,000 would fall on the current year. The estimated revenue for 1857 would thus be reduced from £74,000,000 to £66,400,000, leaving a surplus over the expenditure of about £900,000.

In March Lord Palmerston was (on the motion of Cobden, seconded by Milner-Gibson, and supported by a combination † of Tories, Peelites, Progressive Whigs and members of the "Manchester School,") censured for the "violent measures resorted to at Canton in the late affair of the *Arrow*." Thereupon he dissolved the House—a House which, elected in 1852 to carry out a policy of Peace, Retrenchment and Reform, had become embroiled in a great continental war, had added over thirty millions to the National Debt, and had summarily suppressed a couple of Reform Bills.

The election of 1857 was fought simply and solely on the merits and demerits of Lord Palmerston, and "Pam" easily won the day.‡ His most bitter opponents, those of the "Peace Party"—Cobden, Bright, Milner-Gibson & Co., discredited by their opposition to the Crimean war—were, together with the Peelites, smitten hip and thigh, from Dan even to Beer-sheba. Before long, however, the tables were turned, and, in the February of the following year, Lord Palmerston—by one of the strangest vicissitudes in his chequered political career—was, on the motion of Milner-Gibson, seconded by Bright, who had regained their seats,|| defeated in his own House on

* As follows :—Malt tax, £2,000,000 ; income tax (reduced by 9*d.*), £9,125,000 ; tea (reduced by 2*d.*, subsequently reduced to 1*s.* 5*d.*, giving a total loss of £1,000,000), £369,000 ; coffee (reduced by 1*d.*), £135,000 ; sugar (reduced by 1*s.*, subsequently somewhat further reduced, giving a total loss of £420,000), £342,000 ; total, £11,971,000.

† *H.*, March 3, 1857 : Conservatives, 198 ; Liberals, 35 ; Peelites, 22 ; Irish, 10. (*Annals of our Time*, pp. 479 and 510.) The majority on the Orsini incident was composed of Conservatives, 146 ; Liberals, 84 ; and four Peelites—Gladstone, Cardwell, Herbert, and Graham, the first three of whom took office under Palmerston in 1859.

‡ "The whole (election) turns on his name," noted Lord Shaftesbury ; "there seems to be no measure, no principle, no cry . . . it is simply 'were you or were you not ; are you or are you not for Palmerston ?'" (*Life*, iii. 43.)

|| The former for Birmingham ; the latter for Ashton.

At the time that Lord Palmerston met with his defeat he was to all appearance perfectly secure in office. Only a few days before the Government had obtained a

his "Conspiracy to Murder" Bill, and forced to resign. He was overthrown, not because his "Conspiracy to Murder" Bill was in itself a bad Bill, but because it was inopportune; inasmuch as it wore the appearance of having been dictated from Paris, and as being due to the bombast of the "Colonels." Explanation came too late,* and even Lord Palmerston's great popularity in the House, and in the country, was insufficient to save him.† Twice had a friendly action towards Louis Napoleon brought with it a check to his career; and it was not until his friendship had turned into suspicion, when, pointing to France as the great disturber of peace, he demanded from the people of England unlimited credit to secure themselves against the machinations of the wily Emperor, that he completely recovered his popularity in the country.

But to return to finance. The question on which the Budget of '58, as well as that of '57, turned almost entirely, was how best to ensure by 1860, such a surplus of revenue over expenditure as to enable the fiscal and financial arrangements of 1853 to be carried out, and to place the Exchequer in a position ultimately to dispense with the income-tax, as well as with the war duties on tea and sugar. The desirability of this consummation was generally acknowledged, but two distinct views were taken as to the best means of accomplishing the object in view. Sir George Lewis, and those who thought with him, believed that the best plan was to keep taxation at a high figure—the income tax at 7*d.*, and the major duties on tea and sugar at modified war rates—and by thus redeeming the war debt, gradually to diminish

very large majority on their Indian Government Bill, "walking home with Lord Palmerston," relates Mr. Ashley, "after this victorious result, the Attorney-General remarked to him that he ought, like the Roman Consuls in a triumph, to have somebody to remind him that he was, as a Minister, mortal." (*Life*, ii. 142.)

* Lord Derby, in a letter to the Queen, on Lord Clarendon's explanation of the affair in the House of Lords, after the change of government, said that if Lord Clarendon's "admirable speech" had been delivered in the House of Commons before the division, it "would probably have deprived Lord Derby of the honour of addressing your Majesty on the present occasion." (March, 1858, *Life of Prince Consort*, iv. 173, 190.) See Greville (3rd S.), ii. 173.

† Lord Malmesbury gives an amusing and truly British account of his interview with Persigny, the French Ambassador, after Palmerston's resignation and his own appointment as Foreign Secretary, to Persigny's great disgust. "The first time I met him at the F. O. he literally raved, laying his hand on the hilt of his sword and shouting 'c'est la guerre,' during which scene I sat perfectly silent and unmoved, till he was blown, which is the best way of meeting such explosions from foreigners." (*Memoirs of an Ex-Minister*, ii. 106.)

the debt charge, which was now greater by nearly a million and a half than it had been in 1853.* It was, in short, an attempt to effect, by means more adapted to existing circumstances, the end proposed to be attained under the arrangement of 1853.

The opposing forces in 1857 were led by Disraeli, and Gladstone,† a strangely matched couple, united, as once before in 1851, in an attack on the financial proposals of a Liberal Chancellor of the Exchequer. Looking seemingly more to the actual letter of the old arrangement, than to its spirit, they ignored somewhat the change which the Crimean war had caused in the financial position. Disraeli proposed at once to reduce the income-tax to the 5*d.* at which, under the arrangement of 1853, it ought then to be standing,‡ and in order to accomplish that object he proposed that the payment of the war debt of two millions and a quarter should be suspended. Gladstone—who, together with Disraeli, had in 1855 opposed the creation of a specific sinking fund—desired, by the same means, to attain the same end in the case of the tea and the sugar duty.

Both contended that the loss of revenue should be met by economy, and they argued, that by cutting down the supplies, they could force a reduction of expenditure—a reduction which, according to Disraeli, would have the additional advantage of curbing and controlling the “turbulent and aggressive diplomacy” of the Prime Minister.|| But taxation, as Sir George

* It had been arranged that the war debt (nominally about 40 millions) should be redeemed as follows :—

The seven millions of Exchequer bonds at the rate of two millions a year, from and including 1857 ; the rest of the debt by an annual sinking fund of a million and a half (in the first year, 1857, a quarter of a million only), until the whole debt were redeemed. Thus, in 1857, 2½ millions was to be redeemed ; in 1858, 3½ ; in 1859, 3½, and in 1860, 2½ ; in 1861, 1½ millions ; and so on annually until 1877, by which time the whole debt would have been cancelled. The increased charge for interest on the war debt was £1,420,000 in 1857, which would, by 1860, be diminished to £1,100,000.

† As an historical curiosity, it may be mentioned that the *Annual Register* for 1857 (see *I.* 106) speaks of “occasional rumours of a change in the composition of the Ministry, and an impending junction between Mr. Gladstone and Mr. Disraeli.” The foundation for the rumour being, we may suppose, the momentary approximation of financial views between the two statesmen.

‡ “We reserve our whole strength for the income tax, and support Gladstone’s measure ; namely, to pay fivepence now and nothing in 1860.” (Malmesbury, *ii.* 56, 57.)

|| “With no domestic policy, he is obliged to divert the attention of the people from the consideration of their own affairs to the distraction of foreign politics. His external system is turbulent and aggressive, that his will at home may be tranquil and unassailed. Hence arise excessive expenditure, heavy taxation, and the stoppage of all social improvement.” (Disraeli, Election Address, 1857.)

Lewis said, "should be regulated by expenditure," not expenditure by taxation; and, it is, as Mr. Gladstone himself admitted, later on in the session, "the Government, and the Government alone, wisely and firmly supported by the House, which can possibly cut down the estimates." Only indeed, in the case of a deplorably weak Government, such as that of 1851, can the House profitably intervene, and, by refusing supplies, bring about reduction. And as both Mr. Disraeli and Mr. Gladstone subsequently themselves discovered, economy, to any great degree, was, under the circumstances of the time, not practicable.* If, therefore, the Crimean war debt was not to be met while the income tax and the other extra taxation was available, it was hardly likely that it would be in the power of any Government to redeem it after this special revenue had disappeared. Most certainly, moreover, the reduction of the income tax to 5*d.* by Mr. Disraeli in 1858 did not end in its abolition; while the suspension of the double sinking fund had, by 1860, placed the finances in a worse position than they otherwise would have been.

Taking all these circumstances into account, it must be confessed that the proposal of Sir G. Lewis appears to have been the more statesmanlike, and better calculated to attain the object in view than those of his opponents. But, while defending his proposals, the Chancellor of the Exchequer did something to spoil his case, and to weaken his financial reputation, by an incidental observation in one of his speeches, in favour of the principle of taxation, favoured by Arthur Young.† An observation which naturally roused Mr. Gladstone's wrath, and brought the unlucky Sir George within the "whiff and wind of his fell sword." Sir R. Peel's eloquent disciple had little difficulty in showing that the principle of taxation laid down by "old Arthur Young," as he irreverently called him, was contrary to all the principles which had governed the fiscal legislation of the last fifteen years. How-

* The estimates of ordinary expenditure presented by Mr. Disraeli in 1858, were by £400,000 higher than those of 1857; while, if he had stayed in office to present those of 1859, he would, as had his successor Mr. Gladstone, have had to apologise for estimates, many millions above those presented by Sir G. Lewis in 1857.

"The country," said Mr. Gladstone in 1857, "shows a greater disposition to be critical and sore on the subject of taxation, than to be critical and sore on the subject of expenditure, which makes taxation necessary . . . it is jealous with respect to taxation, but perfectly reckless with regard to expenditure." See Mr. Courtney's account of the above incident in his article on "*Finance*" in *Reign of Queen Victoria*.

† See *I. 135, n.*

ever, in consequence of the intended dissolution, the Chancellor of the Exchequer subsequently dropped his proposals of March with reference to prospective finance, and only renewed the disputed taxes for the year itself; and at the same time he reduced the duty on tea from 1s. 9d. to 1s. 5d., instead of merely to 1s. 7d., and the sugar duty somewhat further than had been originally proposed. After the elections, in order to give stability to the trade, an Act was passed, in August, fixing the tea and sugar duties at these reduced rates until 1860.*

In the original Budget, provision to the extent of only a quarter of a million had been made for the cost of a Persian war, which had just been concluded by the East India Company, and half the cost of which was to be defrayed by England; and no provision had been made for the war with China though the country was then actually engaged in hostilities.† In July, therefore,‡ the Chancellor of the Exchequer, had to come down and ask for half a million for the Persian war, in addition to the £265,000 originally taken; while he required, besides, half a million for the Chinese Expedition, and £1,135,000 for the redemption of the "Sound Dues," lately arranged.¶ In all, his supplementary requirements amounted to some £2,210,000. Against this, however, the realized surplus of the past year had exceeded expectation; and the revenue for the current year was elastic and had

* It may be of interest to put side by side the proposals of 1853, those of Sir G. Lewis, and the actual result:—

INCOME TAX.				TEA.			
	"1853."	Lewis.	Actual.		"1853."	Lewis.	Actual.
	d.	d.	s. d.		s. d.	s. d.	s. d.
1853	7	—	7	1853	1 10	—	1 10
1854	7	—	1 2	1854	1 6	—	1 6
1855	6	—	1 4	1855	1 3	—	1 9
1856	6	—	1 4	1856	1 0	—	1 9
1857	5	7	7	1857 }	1 0	1 5	1 5
1858	5	7	5	1858 }			
1859	5	7	9	1859 }			
1860	nil.	—	10	1860	1 0	1 0	1 5

† The Persian war had arisen in 1856 out of an attack on Herat by the Persians, instigated thereto, it was supposed, by Russia. The Chinese war was begun in the same year. See *I.* 243.

‡ *H.* July 17, 1857.

¶ See *I.* 281, *n.*

moreover unexpectedly benefited at the expense of the previous year by the holding back of tea, sugar, and coffee, in order that they should come in at the lesser rates of duty. No further taxation was therefore imposed to meet the additional expenditure.

The year 1857 was marked by two serious events—the Indian Mutiny broke out; and a financial crisis for the moment paralysed trade. In May, the Sepoy discontent, which had long been smouldering, suddenly, almost without warning, broke into flame. Whether the “greased cartridge” was the origin, or merely precipitated the outbreak; whether in Bengal it was due to the fear of serving beyond sea; whether it was the after-effect of the mismanagement of the Crimean war, giving rise to a belief that the power of England was on the wane; whether the dissatisfaction was general, or confined to the native army, remain to this day open questions. In any case, the mutineers chose their time wisely. The English, as compared to the native troops, were normally but as one to five,—45,000 to 230,000,—and some thousands of this small body were just then engaged in the Persian war.*

There is no need here to dwell on the horrors of that time. Every Englishman, if he has read no other word of Indian history, has read with emotion the recital of the siege of Delhi, of the defence and relief of Lucknow, and of the treachery and massacre of Cawnpore. He is ever proud of the gallant defence of his countrymen and countrywomen; of the heroic energy and bravery of the little band of soldiers that suppressed the Mutiny. The names of Havelock, of Outram, of Colin Campbell, of “Clemency” Canning, of the two Lawrences—statesmen as well as heroes—will ever be revered; the loyalty of Scindia and Holkar, ever gratefully remembered; the fiendish cruelty of Nana Sahib, never recalled without a shudder.

The Mutiny was not finally stamped out till nearly two years had run their course. Its money-cost to the English exchequer was not very great. Some 30,000 troops were immediately sent out,† but the cost of them fell on the Indian treasury, and for the

* See Wrexall's *Armies of the Great Powers* (1859), chap. xi. The proportion of British to Native troops had gradually diminished, for as territory was enlarged the number of Sepoys was increased and that of the European troops left almost stationary.

† The troops were sent round by the Cape, and not across Egypt. The Emperor

moment the War Office was actually relieved rather than burdened ; the Admiralty had, however, to provide for the transport of the troops, and to maintain a larger force than usual in Indian waters. The chief ultimate expense to the War Office, was caused by the necessity of embodying and afterwards disembodiment some 30,000 militia, to take the place of the regulars despatched to India. Neither to the Company itself, was the cost of the Mutiny immediately very great. Their revenue receipts were temporarily suspended in the disturbed provinces, and many of their stores were pillaged ; but, on the other hand, the disbanding of so many Sepoy regiments, gave relief to their treasury. As the revolt went on, however, the expenses increased, and in 1858, the Company, in order to meet the cost, was obliged to resort to loans.

The Mutiny brought to an end the curious dual control of " John Company " and the British Government over the Indian Empire,* the history of which has been already traced.† In the beginning of the session of 1858, Lord Palmerston's President of the Board of Control (Wood) introduced a bill finally to transfer the government of India from the Company to the Crown. But the Orsini bomb destroyed the Government before the bill had made any progress. Lord Derby's Government took up the question, as they were bound to do ; and ultimately passed an act of 1858, which met with well nigh universal approval, and which has worked satisfactorily since. All the territories and powers of the Company were vested in the Crown, and the Governor-General, to be called the Viceroy, and to represent the Sovereign in India. The office of Secretary of State for India was created, and in the hands of the Secretary of State—advised by a council of fifteen—was placed all the powers formerly possessed by both the Board of Directors and the Board of Control. In 1861 the Indian and English armies were finally amalgamated.

The effect of the monetary panic of 1857 was, financially, con-

of the French offered to allow the English reinforcements to be sent across France, but the offer was declined.

* A system of government described by Lord Palmerston, in a letter to the Queen (*P. Consort*, iv. 145), as that of "two cabinets, the one responsible to the Crown and Parliament, the other only responsible to the holders of Indian stock."

† See *I.* 35.

siderably more serious than that of the Mutiny. During the summer and the autumn the money market had been in a very sensitive condition. The disturbance caused by the Crimean war had scarcely passed away, when widespread failure in the United States, and the paralysis of the East India trade consequent on the Mutiny and the Chinese War, deranged business, and brought about an acute financial crisis, culminating in November in panic and crash, and involving for the second time the suspension of the Bank Act, of 1844.*

But all these disturbances to trade and commerce, though somewhat adversely affecting the revenue receipts in the first three quarters of the year, left but little trace behind. The very considerable remissions of taxation of the previous eighteen months so stimulated increased consumption, that a rapid recovery of revenue took place near the end of the year, which more than made up the previous deficiency.

On the other side of the account, unfortunately, the expenditure exceeded the estimates; and the result of the year was, that while the Chancellor of the Exchequer heroically met the $2\frac{1}{4}$ millions of sinking fund, he did so by borrowing, not only that amount, but a quarter of a million in addition.† The actual expenditure of 1857 was £70,380,000, the revenue but £67,880,000; but the expenditure included special expenditure to the amount of £1,125,000 for the redemption of the Sound Dues, and some two millions for the Persian and Chinese wars.

Early in the year 1858 Lord Palmerston was defeated, and Lord Derby—still without a majority—again succeeded to office;‡ and thus it again fell to the lot of Mr. Disraeli to introduce a Budget, as Chancellor of the Exchequer, in a minority government. More fortunate, however, than in 1852, he succeeded this time in proposing measures which—though in regard to the income tax probably mistaken—met with general approval.|| The estimated expenditure for the coming year, including $3\frac{1}{2}$ millions for repayment of war debt,** amounted to just over 67 millions

* Consols fell as low as 86. For history of Bank Act, see *II. 14.*

† In addition to a subsequent rectified deficiency of almost a million that was voted in the following year; against which, however, may fairly be put the million for the redemption of the Sound Dues, clearly a capital expenditure not necessarily met from the current revenue.

‡ February, 1858.

|| *II.*, April 19, 1858.

** See note, *supra*, p. 160.

—excluding it, to £63,600,000—an estimated expenditure considerably less than the actual expenditure of the previous year, but still by eight millions greater than that of 1853. The outlook, as far as the revenue was concerned, was described by the Chancellor of the Exchequer as most favourable: “capital is abundant, money cheap, bread forty to fifty per cent. lower in price than last year,” and sugar likely to be cheaper. But even then, taking the income tax at fivepence, the total estimated revenue could not be put at more than 63 millions, leaving a deficiency of four.

Mr. Disraeli—falling back on the legal aspect of the arrangement of 1853—proposed to take the income tax at fivepence in his estimate instead of at sevenpence, the rate in force the previous year. His argument was that the engagements of the country in regard to the income tax, were more binding than those in reference to the repayment of debt. The latter were founded merely on grounds of financial expediency; the former on social and political considerations, and on grounds of high policy. The nation had made an arrangement—a “solemn compact,” if circumstances rendered its fulfilment possible—with the Chancellor of the Exchequer, and had only consented to allow the income tax, “unjust, unequal, and inquisitorial” as it was, to continue for a limited time, on the distinct understanding that it should ultimately be repealed.

Assent, he argued, had been given to the imposition of the succession duty on real property, on the ground, that being a direct tax, it would take the place of the income tax when the latter was repealed. “The extinction of the income tax,” he had declared, in the previous session, “was the equivalent and consideration upon which they (the Opposition) had supported the succession duty.”*

* Debate on Address, *H.* Feb. 3, 1857. It is curious how often, in reading through the Budgets and debates, one is startled at finding arguments calmly ante-dated, and mentioned as having been the actuating motives of statesmen, by whom they were at any rate never advanced, or only incidentally mentioned at the time. Thus, for instance, from the debates of 1853, it is difficult to find any justification for the assertion of Mr. Disraeli that the Government asked and obtained the Succession Duty on the ground, that being a direct tax, it was a set-off against the extinction of the Income Tax. The ground on which the succession duty was supported was that it was a tax just in itself, and that it would tend further to equalise the incidence of the income tax as between permanent and precarious incomes. See Budget Speech and Debate, *H.* May 12, 1853. Mr. Gladstone, who, in 1858, supported the Government in their proposal to reduce the Income Tax to fivepence, had in 1857 said distinctly that “as far as my knowledge is concerned—and I ought to have some

Further, Mr. Disraeli somewhat fancifully argued, that as the nation had, when emergency arose, cheerfully assented to a great increase in the tax, instead of insisting on the reduction that had been promised and expected, a further disappointment now would be "well calculated to sour the public mind," and, when again emergency arose, the tax-payer would not so cordially respond to a further appeal. The real fact of the matter was, that the Chancellor of the Exchequer knew quite well that the best way of carrying out his desired reduction—to which he was committed by his action in the previous session—without exposing the public conscience to qualms on account of the war debt, was to assume the income tax at fivepence instead of at sevenpence, and to make it thus appear that, if the debt were to be redeemed, additional taxation would have to be imposed. This mode of putting the question was irresistible, and the Chancellor of the Exchequer was allowed to reduce the tax and to postpone the redemption of the debt. So true is it, that public judgment on a given fact is profoundly influenced by the way in which that fact is first presented.

The income tax was taken at 5*d.*, and a deficit of four millions was shown. It was perfectly clear that taxation could not be imposed to meet the war sinking fund and the war exchequer bonds, amounting together to 3½ millions. The former was therefore extinguished, and the payment of the two millions of bonds was postponed until 1862 and 1863; to a date that is, when, if the arrangement regarding the income tax were carried through, the revenue would be less by another five or six millions.

Denouncing in strong language the "unjustifiableness," either of "raising a loan to fulfil engagements to pay debt," or of funding the unfunded debt, the Chancellor of the Exchequer did what, as far as the reduction of debt was concerned, was exactly the same thing, he renewed the bonds, and created a precedent, faithfully followed by his lieutenant some twenty years later.

Whether right or wrong (and I think events proved that he was wrong) in thus relinquishing the twopence of the income tax, in abolishing the sinking fund, and in renewing the exchequer bonds,

knowledge on the subject—no one ever endeavoured to link together these two questions; nor, as far as I am aware, was there any kind of private communication on the subject between the Government and any hon. members." (*H.* Feb. 3, 1857.

Mr. Disraeli was unquestionably acting in accordance with the temper of the time. He was not prepared further to reduce the expenditure; indeed, he now admitted that national expenditure cannot be reduced "in haste and heat."* The nation clearly desired relief from taxation, after the arduous exertions of the war, and did not much care whether the debt were repaid or not; while the utter futility of the new sinking fund had been proved from the fact, that during the previous year its author himself—in the spirit of the good old times—had borrowed money to keep it going. Again, it had been proved more than once earlier in the century, and it was emphasized this year, that the public desire to pay off debt is not sufficiently strong to induce the nation to accept—or the Chancellor of the Exchequer to propose—taxation specifically intended to effect that object. It is somewhat different where the amount devoted to the repayment of debt is hidden from view, and does not apparently come into direct antagonism with taxation, as in the case of terminable annuities, and to a lesser degree in that of the sinking fund of 1876. But when the question has arisen, shall a certain specific amount of taxation be raised to be applied to the redemption of an equivalent amount of debt, the answer has been an everlasting "No."

It is certain that for many years after the Crimean war, public feeling was in favour of reduction of taxation, rather than of the repayment of debt, and successive Chancellors of the Exchequer wanted but little encouragement from the public, and the public little encouragement from them, mutually to agree to forego, for the time being, the duty of redeeming the debt. It was this feeling which enabled Mr. Disraeli, in 1858, to repudiate the redemption of the war debt; and which (as we shall presently see) enabled Mr. Gladstone, in 1860, to apply to the reduction of taxation two millions of revenue, which up to then had been applied, and should have been reapplied, to the annual reduction of the

* Further, said he, "reduction depends on policy. It is quite a wild idea to suppose that a body of men, though they may be Ministers, can meet in a room and suddenly alter the establishments of the country. The establishments of the country are adapted to the policy which the country pursues; and if you sanction a policy which leads to invasion and armaments, and consequently to expenditure, you cannot expect, because there is a change of Ministers, that you can deal with that expenditure, unless you deal with that policy. Really sound reduction is the effect of time and thoughtful management, and is not in a few hasty weeks to be concocted in order to obtain popular applause." (*II.*, April 19th, 1858.)

national debt. Gradually the feeling changed,* and during the last fifteen or twenty years the public have been more and more actuated by a desire to reduce the heavy burden of the debt while peace prevails, and while England yet maintains her commercial supremacy.

The war burdens disposed of, the deficit was reduced to about half a million. To meet this deficit, and to obtain a small surplus—and this part of the Budget was admirable, both in principle and practice—the Irish spirit duties were finally equalised to those of England and Scotland.† In a lively, amusing passage, the Chancellor of the Exchequer rallied the Irish members on the “feelings of indignant humiliation” with which they must view the position in which they were placed by the differential duty on Irish spirits. The “high spirited Irishmen,” who defined justice to Ireland as consisting of “an identity of institutions, of rights and of duties,” now laboured under the injustice of a lesser spirit duty than the rest of the United Kingdom, an injustice which ought to be remedied. The increased spirit duty was to produce half a million of revenue;‡ and £300,000 more was to be gained by the extension to banker’s cheques of the system of “penny taxation,” introduced in 1853; both proposals being most excellent fiscal measures.

* See *I.* 247.

† From 6*s.* 2*d.* to 8*s.*

‡ In the result the spirit duty only yielded £85,000 additional in the first year. See *I.* 247.

CHAPTER IX.

PALMERSTON.

1859.

THE Tory Government introduced their first Reform Bill—the bill of “fancy franchises”—at the beginning of the session of 1859, were defeated, and following their own precedent of 1852, dissolved Parliament and appealed to the country. The election caused very little interest, public attention was concentrated on the Franco-Austrian war, and, though the Government gained a few seats, they were still left in a minority.*

The discordant sections of the Liberal party, whose differences had alone enabled the Tories to obtain and retain office for a year, made up their quarrels.† The Conservative Whigs represented by Lord Palmerston, the Reforming Whigs represented by Lord J. Russell, the Peelites represented by Mr. Sidney Herbert, the Radicals represented by Mr. Bright, and the Independents represented by Mr. Horsman, joined together, and incontinently ousted the Tories.‡

After a little bye-play with Lord Granville, Lord Palmerston was “sent for,” and Lord J. Russell, having previously agreed again to serve under Palmerston, as Palmerston would have served under him if he had been the fortunate elect, joined the Government. The Ministry thus formed, in the summer of 1859,

* The estimated strength of parties was :—Conservatives, 305 ; Liberals, 348. The Government were beaten on the Address by 323 to 310, majority 13. They had been beaten on their Reform Bill by 330 to 291, majority 39.

† Talking of the reconciliation of Lord John and Lord Palmerston, Lady William Russell said, “They have shaken hands and embraced, and hate each other more than ever.” (Malmesbury, ii. 120.)

‡ June 10, 1859, by 323 to 310. Lord Hartington was entrusted with the task of moving the hostile amendment.

governed the country for the next seven years with scarcely any changes, save those brought about by illness or death.*

Thus succeeded to power the first stable ministry since the resignation of Lord J. Russell's Government—itself not very stable—in 1852. Between 1852 and 1859, a period of eight years, there had been no less than six changes of Government—and a still larger number of changes in the heads of departments—to the great loss of continuity, of efficiency, and of economy, in the administration of the country.

In one respect the Palmerston era opened satisfactorily; trade was in a healthier and sounder condition than ever before, commerce was expanding, labour was abundant, wages were good; the ill effects of the financial crisis of 1857 were well-nigh forgotten. But there was another aspect of the case; "expenditure depends on policy," is a proposition that has never been more true than it was under Lord Palmerston. With an eminently economical Chancellor of the Exchequer at the Treasury, with colleagues who, when allowed, showed themselves also to be economical, the expenditure during the first few years of Lord Palmerston's second administration nevertheless far exceeded the highest of any peace year since 1815. Panics and petty wars added greatly to the expenditure. On the one hand a China war, on the other a suspicion of French designs, were at the bottom of the whole. Of the Chinese war we will speak directly: with the question of France we must deal here at some length.

Seated on the throne of a neighbouring state was a man bearing the name of "Napoleon"—a name, which, as Cobden told the Emperor himself, was "still a sound of traditional alarm in England," a man of a restless and ambitious nature, holding, by what he felt to be a precarious tenure, enormous power, "detesting," as he subsequently said himself, "the treaties of 1815," and, as was popularly supposed, burning to avenge Waterloo.

* Lord John Russell was Foreign Secretary; Sir George Lewis, Home Secretary; Duke of Newcastle, Colonial Secretary; Sir C. Wood, Indian Secretary; Mr. Gladstone, Chancellor of the Exchequer; Mr. S. Herbert at the War Office; Duke of Somerset at the Admiralty; Mr. Milner Gibson at the Board of Trade, the post having first been offered to Mr. Cobden. Lord John Russell, the leader of the House had resigned just before the fall of the Aberdeen Government. He had taken office under Lord Palmerston after the resignation of the Peelites in 1855, but had again resigned after his "Vienna" mission in the same year; when a notice having been given of want of confidence in him, information was conveyed to him (unknown to the Prime Minister) on behalf of many of his colleagues, that, if he did not resign, they would.

Lord Palmerston, whose former "strong confidence in the Emperor's fair intentions" had undergone a rapid and radical change, now viewed him with suspicion, believing him to be possessed by a "deep and inextinguishable desire to humble and punish England." In his graphic way,* he described the Emperor as a man, whose head was "as full of schemes as a warren is full of rabbits, and like rabbits, his schemes go to ground for the moment, to avoid notice or antagonism."† And, in one way or another, from 1856 onwards, Napoleon the Third did undoubtedly succeed in imparting to the British public a series of shocks and surprises. He coquetted with Russia after the Crimea war. He bullied our "old and faithful ally" Portugal. His professed disinterestedness in making war, in 1859, in order to free the Italian States from the yoke of Austria, and from the tyranny of the Bourbons, met with the strong approbation of Englishmen. But this feeling towards him received a rude shock, when the victor suddenly made peace, abandoned the cause of freedom, and proposed to confederate the Italian States under the presidency of the Pope, and to hand back to its petty tyrants the greater part of the Peninsula;‡—a shock which was not lessened when, in spite of his former solemn declaration, the Emperor despoiled of Nice and Savoy the ally whom he had abandoned.||

* Ashley's *Life*, ii. 182.

† In November, 1858, Palmerston, writing to Russell, said: "Until lately I had strong confidence in his fair intentions," but now his suspicions of the Emperor were aroused, and he believed that "his formerly declared intention of avenging Waterloo has only lain dormant, and has not died away;" while the naval activity of France—greater, Lord Palmerston thought, than the necessities of mere defence required—especially increased his suspicions.

In 1860, writing to the Duke of Somerset, Palmerston said, "You may rely upon it, that at the bottom of his heart there rankles a deep and unextinguishable desire to humble and punish England, and to avenge, if he can, the many humiliations, political, naval, and military, which, since the beginning of the century, England has by herself and her allies inflicted upon France." (*Ib.*, ii. 190.)

‡ The Emperor can, however, hardly be blamed for so suddenly making peace. He was in a difficult and dangerous position. He had indeed defeated the Austrians in the open field, but at enormous cost and with enormous loss on his side. The French army was still inferior in numbers; the enemy had retired into the security of the "Quadrilateral," from which it would have been eminently difficult to dislodge them. Prussia, moreover, was threatening to intervene. If he had persevered, France would, as the Emperor said in his manifesto, "have had to accept a struggle on the Rhine as well as on the Adige." By moderation, the friendship of Austria might be won; by trying for too much, all might be lost.

|| In his original manifesto, the Emperor had solemnly declared that he entered into the war, "not from any motives of personal ambition, nor yet aggrandisement of the territory of France," and this at the time when he had in his pocket an agreement with Cavour that, if Italy became a nation, Savoy and Nice should be handed

The tiger whelp had tasted blood. France had again found that a war "could be short, decisive, and profitable;"* and the wild talk of her "natural" and "logical" frontier seemed a certain prelude to further aggression. The continued occupation of Rome was disliked. The "suspicious project of the impractical Suez Canal, which the French Government (in 1859) was pushing on with extraordinary zeal,"† gave rise to alarm, being looked upon as a blind to cover designs on Egypt, and on our Indian communications. The French occupation of Syria, and the difficulty of getting them out again, gave rise to further suspicions of French intrigue in the East. Constantly talking of peace, the Emperor seemed steadily to eschew it; and the proposals of Congresses and Conferences seemed intended but to advance French interests.

It must be confessed that all these incidents, followed as they were by the "affair" of Mexico, of Luxemburg, and of Belgium, gave good grounds for suspicion on the part of English statesmen, who found that they had to deal with a man whose word was not always to be relied upon, and who, from his position, was not master of his own actions, but a slave to circumstances. From what we now know, it is almost certain that the Emperor was well aware of the value of the alliance of England, set much store by her friendship, and anxiously desired to be allowed to remain at peace and amity with her; and that his outward acts of goodwill

over to France. By 1860, partly owing to the Franco-Austrian war, partly to her own exertions, the cause of Italian liberty and unity had been so far successful that the King of Sardinia had practically become the "King of Italy," ruling over an Italian "nation" of some eleven millions of people. As a measure of "necessary precaution," therefore, the French declared that France and not Italy must be in possession of the French side of the Alps.

* See Senior's *Conversations* (ii. 295, "Thiers," etc.).

† *Times' Summary* for 1859. Lord Palmerston was always very contemptuous on the subject of the "hopeless" project of "digging a canal through a desert and making two harbours in deep mud and shallow water." He denounced the proposal as "one of the greatest and most remarkable attempts to swindle that has been practised in modern times. It is a complete fallacy from beginning to end. A great many persons in France have been induced to take shares under the notion that the concern would be a profitable matter." His exaggerated language in reference to the canal was probably actuated by dislike of France and fear (as he told Lord Malmesbury) of England being drawn into an Egyptian policy—the wish that the project should fail was father to the thought. Lord Palmerston's fear has been fulfilled, the creation of the Canal has drawn England into an Egyptian policy. Commercially, the Canal has been a success. In the use of the canal England is first and the rest nowhere. In 1886, out of the whole tonnage passing through the canal, England could claim 77 per cent.; and France, the next in proportion, but 8½ per cent., and of this a considerable part is tonnage of ships of war and transports. (See C. 5,000, 1887.)

towards her were sincere, and not a mere cloak to cover ulterior designs. French and English troops fought side by side in the Crimea and in China. With us as allies, the Emperor would have gladly interfered in the affairs of Poland, and in the American Civil War. At the time of the Mutiny, he offered to allow the English troops to be sent across France, and he cordially seconded the English request to the Porte for leave to send them across Egypt. He warmly supported England's action in the "Trent" affair. He negotiated the Commercial Treaty in the hope that it would form a further bond of union between France and England. He never ceased to protest to Queen and to Cabinet that he "had but one thought, one object, to inaugurate a new era of peace, and to live on the best terms with all my neighbours, especially with England."*

But, unfortunately for the maintenance of friendly and cordial relations, in too many instances his acts seemed to belie his words, and the English nation were easily led by the Prime Minister, firmly convinced himself, to believe that the Emperor had sinister designs directed against England. English suspicion of France naturally gave rise to French suspicion of England; the English armaments seemed to the French mind to be directed offensively against France. Each nation believed the other to be the cause of her increased expenditure; each declared that her own expenditure was purely for defence; each chose to consider that the armaments of the other were intended for aggression.

The newspapers on either side of the Channel assiduously fanned the flame; and thus, instead of closer friendship, there was growing alienation; instead of cordiality, there was mutual suspicion. France increased her army; England enlisted volunteers. Our answer to Cherbourg was to increase our fleet; the French replied by strengthening theirs. England retorted by erecting forts; and so, amidst mutual protestations of peace and goodwill by the Governments on both sides of the water, the game of "beggar my neighbour" went merrily on.†

* Letter to Count Persigny published in the newspapers of July 25th, 1860. The Emperor said, in 1858, to Count Charles Vitzthum—a statement probably only too true—"L'alliance c'est moi. Les deux peuples ne se connaissent pas, et ne s'aiment guère." (Vitzthum's *Reminiscences*, i. 239.)

† See Leech's admirable cartoon—and much solid history may be learned from *Punch's* cartoons—of Palmerston and Louis Napoleon playing a game of "beggar my

It seemed as though the "eternal enmity," which Fox and Burke had once assumed, and which Pitt had vehemently denied, were showing signs of renewed vitality.* A position of affairs, a feeling of mutual suspicion and hostility, engendered on the one side by the deeds of the Emperor, and on the other by the words of Palmerston, which, now-a-days, when England lives on cordial terms with France, can be with difficulty realised, even when proved beyond question by the records of the time.

Before the Second Empire yet was, Lord Palmerston, when Foreign Secretary, had, in 1846, drawn up a Memorandum on the state of the National Defences, in which he had urged on the Cabinet that "the defenceless state of the country seems urgently to require some effective remedy," for England never before had "stood in such a condition of comparative military weakness."† France, he asserted—almost in the words he used in 1860, when proposing his fortification scheme—had a fleet equal to that of England, an army vastly superior. If our fleet were defeated or misled, France might easily invade England with 100,000 men, and, without difficulty, destroy the dockyards and arsenals.‡

But, with the exception of the creation of a militia force—which was largely due to Lord Palmerston's energy—little or nothing had been done between that time and 1859 to improve the defences of the country. And now, the suddenness of the Austro-French-Italian War, the despatch with which 150,000 to 200,000 French troops, with 400 guns, had been transported to Italy, the swift destruction, unprecedented in those days, of the military power of Austria, had made it plain that dependence could no longer be placed on the old system, of preparing for war after war had been declared. The keynote to the situation was to be found in an

neighbour," each hoping to capture the "ship" card of the other by dealing a bigger one. *Punch's* Exhibition design for "Peace," in 1862, was an angel holding an olive-branch seated on a breech-loading Armstrong gun.

* During the Crimean war, two French officers were attached to Lord Raglan's headquarters. "The staff," relates Greville, "were constantly embarrassed by the inveterate habit Raglan had of calling the enemy 'the French.' He could not forget his old Peninsular habits."

† Bulwer's *Life*, iii., 290.

‡ Against this, Lord Shaftesbury notes in his diary in 1844: "If the government and nation would show half the zeal to defend themselves from the devil that they do from the French, we should speedily become a wise and an impregnable people." (*Life*, ii. 70.)

opinion, expressed over and over again in different ways by Lord Palmerston, that "man being a fighting and quarrelling animal," * the only way to secure the country against attack was for her to be strong enough to defend herself. It would never do to "rely on the forbearance of a rival power," especially when that rival power was an immediate neighbour. "C'est l'occasion," said he, in 1851, quoting the French proverb, "qui fait le larron."†

Lord Palmerston's foreign policy had often brought England to the verge of war, or actually into petty wars; and he had always been the first to raise the cry of "Wolf," and to urge increased expenditure on defences. Mr. Cobden once, with a considerable amount of truth, said in the House of Commons, that Palmerston was the most expensive Minister the country had ever had; that, he had, at the least, cost the country a hundred millions sterling; "and, I think," added Mr. Cobden, "the noble Lord, with all his merits, is very dear at such a price." But, whatever may have been the case in former years, there is no question but that, in the policy of suspicion and defence pursued from 1859-62, Lord Palmerston was but reflecting and carrying out the opinion held by almost everyone, from the highest personage in the realm down to the humblest subject. Those who opposed him were but voices—few and far between—crying in the wilderness, with none to listen.‡ England was in a state of patriotic ferment. Supplies were freely voted for ships and men, for guns and forts. The Volunteer movement, extinct since the Peace, talked of after the *Coup d'État* in 1852, was now definitely revived.|| A "nation of shopkeepers" had suddenly taken to

* Letter to Cobden. (Ashley's *Life*, ii. 221.)

† Palmerston (Foreign Secretary) to Sir Charles Wood (Chancellor of the Exchequer) (*Ib.*, i. 251). See also "*Opinions and Policy of Lord Palmerston*" for his views—almost identically the same in 1816 (p. 12).

‡ The minority on the Fortification Bill of 1860, only numbered 39.

|| The first volunteer force, along with the original yeomanry cavalry, was raised, at the beginning of the century, to repel the threatened invasion of the Great Napoleon, and now the movement was renewed under the apprehension of invasion by the "neveu de son oncle." Though the first volunteer movement was a sign of the willingness of Englishmen to spring to arms to defend their country, the renewed volunteer movement of sixty years later was of much greater and more lasting importance, and marked one of the most satisfactory and creditable features of English military history. Even before the Peace, as the tide of battle rolled away from the shores of England, Pitt's volunteers gradually melted away. But, though the special danger of 1859 and 1860, which again brought the volunteers into being, has long ago disappeared, the latter-day volunteer movement has not diminished, but has

arms. Reviews of troops and of volunteers, sham fights and shooting matches, in which the Queen herself—to the scandal of the Peace party—took an active personal interest,* were the order of the day.

That Lord Palmerston was so supported in his policy of suspicion and expenditure, does not indeed prove that he was right; but it shows, that, if at this time he were a costly Minister, it was because the nation desired and approved a costly policy. The whole question, of how far the panic and the expenditure were justified, lies in the reality of the danger. If the danger were real, if it were not merely conjured up by the lively imagination of a bellicose Premier, then the Government would have been guilty of culpable remissness had they not made strenuous efforts to put in order the defences of the country, which, in their opinion, had, through the apathy and blunders of past Governments, been too much neglected.† Everyone, even if they did not go quite as far as Mr. Disraeli, when, in 1862, he declared that the English navy should be “as superior to the navy of France, as the army of France is superior to our own,” admitted that England should be pre-eminent on the sea. Mr. Cobden himself,‡ when expostulating with Lord J. Russell against Lord Palmerston’s panic policy, asserted that he “would, if necessary, spend one hundred millions sterling to maintain an invincible superiority over France at sea;”|| an opinion with which probably every Englishman cordially agrees.

It was, moreover, not only France, and French machina-

increased in popularity, and every demand for increased efficiency has been cheerfully complied with.

The volunteers were first enrolled in 1859, and by 1860, the year in which the movement was legally recognised, there were already 120,000 men on the books (of whom 106,400 were “efficients”), a number increased by the following year to 160,000. The total force in 1886 numbered 227,000, very nearly all of whom are “efficients”; and the force now forms an integral and essential part of the organized defence of the country. The total gross annual cost to the country is between £800,000 and £900,000, in addition to the cost of arms, ammunition, &c.

* “The Court,” said Mr. Bright, “seems now to find its chief occupation in connection with military affairs—Reviews in Hyde Park—Reviews at Aldershot—Shooting matches at Wimbledon—occupations which for a long time have been foreign to the English Court.”

† See Ashley, ii. 223.

‡ Morley’s *Life of Cobden*.

|| Lord Malmesbury—who was very intimate with Louis Napoleon—tells of an interview he had with him in April, 1859, when the Emperor said to him, “Let each (country) build what he considers the right number (of ships). You ought to have twice as many as I, as they are your principal protection.” (*Memoirs*, ii. 204.)

tions, which had to be feared. The "plague-spot" of Italy—as Lord Derby called the Papal States—was still uncleansed, while the state of that Peninsula was such, that at any moment Europe might be drawn into a war. The times were out of joint. All Europe was arming; a million of men were abstracted from peaceful and profitable employment, to follow the trade in which killing is no murder; and England could not afford alone to remain unarmed and unprepared.

Nor was the increased warlike expenditure due to the policy of the incoming Government alone. The original army estimates, presented in 1859 by Lord Derby's War Minister, General Peel, before the fall of the Government, were considerably in excess of those of the previous year, though they fell short of the final estimates presented, after the change of Government, by Mr. Sidney Herbert. In the same way, the original navy estimate, of the same year, presented by Sir J. Pakington, largely exceeded those of the year before, though again and to a much greater extent, they fell short of the final estimates of the Liberal Government. And these increased estimates presented, their successors were supported by the outgoing Ministers.

In regard to the navy, indeed, quite irrespective of any question of foreign policy, the radical changes that had of late taken place in ship-building and ordnance had made a large outlay on reconstruction seem essential. And of so much importance did the subject appear to both Governments, that it held a prominent place in each of the two successive speeches from the Throne in 1859.* The transition from sail to steam, from smaller to larger guns, the substitution, about to begin, of iron plates for wooden walls,†

* "The universal introduction of steam-power into naval warfare will render necessary a temporary increase of expenditure in providing for the reconstruction of the British Navy." (Queen's Speech, Feb. 3rd, 1859: Lord Derby, Prime Minister.)

"Considering, however, the present state of Europe, I have deemed it necessary, for the security of my dominions and the honour of my Crown, to increase my naval forces to an amount exceeding that which has been sanctioned by Parliament." (Queen's Speech, June 7th, 1859: Lord Palmerston, Prime Minister.)

† "It was observed at the time," says Sir Theodore Martin (*Life of Prince Consort*, iv. 374), "that the Queen dwelt with marked expression" on the reference to the navy, in the speech of February.

† A special vote of a quarter of a million was taken, in 1859, for the purpose of laying down two "iron cased" ships. It had been a source of pride to the nation, in 1854, that the Baltic Fleet was composed entirely of steamships. See Molesworth's *History*, iii. 26. The ships composing the Black Sea Fleet were very nearly all sailing vessels.

had deprived England of the naval superiority which she had so long boasted. The vast numerical superiority in wooden ships and sailing vessels, which she had enjoyed since the Peace, no longer stood her in stead. She was reduced once more to a footing of naval equality with other great nations, and had, at great pains and expense, to regain her superiority at sea. Not only so, but, in 1858, it was confidently asserted, that, in ordinary construction and efficiency, England had during the past few years fallen far short of the needs of the time, and that in actual number of available ships, she was now actually behind France.*

It is but human nature for a new First Lord to have a fling at his predecessor, knowing full well that an appeal to their pride in the navy is a sure road to the sympathies of his fellow-countrymen. And, on acceding to office in 1858, Sir J. Pakington had indicated a state of things sufficiently alarming. He stated that the effective strength of the navy had sunk to a point lower than ever before; and that, in consequence of the exigencies of the Chinese War and the Mutiny, there was "not a vessel which could be made immediately available in any British port"—a view emphasised by the Prime Minister, who asserted that his Government had "found the navy in a state of weakness, decrepi-

* In December, 1858, the Government appointed a secret committee (Report *P. P.* 182 of 1859) to enquire into the increase that had taken place in the naval expenditure since 1852, the relative strength of the fleet in 1852 and 1858, and the relative progress of the French navy during the same period. The committee were merely to report facts, "the amount of force requisite (for maintaining the naval supremacy of the country) must be decided," says the minute appointing the committee, signed by "D." (Disraeli), "on the responsibility of the Cabinet, and cannot be delegated to any other authority."

The committee reported that, of line-of-battle ships complete in December, 1858, England had 29 and France the same number; preparing or building, England 21, France 11. Of frigates ready or building, England had 34 while France had 46. And while England had laid down no ironclads, France had four "iron-plated ships" building, and two more were to be laid down. Since 1852 France had rapidly been catching up England in relative naval strength. The horse-power of the engines in the English navy in 1852 was 44,500, in the French, 27,250; by 1858 the totals were, English, 99,500, French, 82,000. "As regards sailing vessels England still possesses," says the Report, with mild sarcasm, "a great superiority over France." In the last year of the great war, it appears from one of the tables given, the English possessed, of ships of the line and frigates, no less than 527, against the 107 possessed by the French.

So much is disclosed. But—as in the memoirs of a certain celebrated Oxford divine—there are tantalizing asterisks showing where many a piquant passage is withheld from the public eye.

Mr. Cobden's criticism on the Report of the Committee in his *Three Panics* (published in 1862), is worth comparing.

tude, and absolute impotence." Needless to say, the accounts thus given of the inefficiency of the navy were, as they always are, strenuously denied by the outgoing First Lord. And certain it is that at first, instead of increasing, Sir J. Pakington actually proposed to reduce the naval estimates of his predecessors; and it was only after an interval, and on pressure being brought to bear by the Court, that the Government thought fit materially to increase the expenditure on the navy.*

It is but fair to say, however, that during his short administration, Sir J. Pakington deserved well of his country. He found England with only 25 effective line-of-battle ships; he left her with 40, and with 10 more to follow within the year. He found her—extraordinary to relate—without a Channel Fleet, he left her with one consisting of eight ships of the line and four frigates; and his successor had to acknowledge that the construction of ships under his *régime* had been "really something stupendous."

But even this activity was not thought sufficient. "Steam had bridged the Channel;" † wind and tide were no longer "both

* Cf. *Life of Prince Consort*, iv. 278, &c., from which it will be seen how strongly the Queen and Prince urged on the Government (August, 1858) the necessity of strengthening the naval forces of the Kingdom, and how lukewarm the Ministry were. The Prince, in a letter to the Duchess of Kent, writes: "The war preparations in the French marine are immense, ours despicable! Our Ministers use fine phrases, but they do nothing. My blood boils within me."

And again, two years later, the Prince, writing to Lord J. Russell, whose Government was also thought to be lukewarm in the cause, said: "It is a perfect disgrace to our country, and particularly to our admiralty, that we can do no more than hobble after the French, turning up our noses proudly at their experiments and improvements." (v. 256.)

See Cobden's *Three Panics* for the other side of the question. Compare also navy debates of 1858 and 1859 in both Lords and Commons.

† The Duke of Wellington, in 1847, in his letter to Sir John Burgoyne (published, January, 1848) said: "You are aware that I have for years been sensible of the alteration produced in maritime warfare and operations, by the application of steam to the propelling of ships at sea."

Lord Palmerston, in the debate on the fortification scheme of 1860—arguing that the "adoption of steam as a motive power afloat had totally altered the character of naval warfare, and deprived us of much of the advantage of our insular position"—went on to say, that, "in fact, as I remember Sir Robert Peel stating, steam had bridged the Channel, and, for the purposes of aggression, had almost made this country cease to be an island" (23rd July, 1860). This was a curious misquotation, for the real fact is, that in 1845, when in debate Lord Palmerston had remarked that "steam navigation had rendered that which was before impassable by a military force nothing more than a river passage by a steam bridge," Sir R. Peel, in following him, had controverted the statement that "our means of defence were abated by the discovery of steam navigation. He was not at all prepared to admit that. He thought that the demonstration which we could make of our steam navy was one which would surprise the world, and, as the noble lord had spoken

our informants and our allies." The insular security of the country was gone; and, unless England were made absolutely safe from invasion, by an overwhelming fleet and fortified arsenals, she might, it was argued, be invaded and overrun with impunity.* Nor was this all. The increasing responsibilities of the Empire, apart altogether from European politics, involved increasing expenditure. The amalgamation of the armies of England and India after the Mutiny, the development of colonies and possessions necessitating garrisons and gunboats; the increase of commerce necessitating naval police and protection; threw on the army a continually increasing demand for men in the way of "reliefs,"—on the navy a continually increasing demand for ships. Hence in every direction increased expenditure was involved.

The French had certainly taken the lead in the construction of sea-going ironclads, and in 1858 had laid down four of these ships;† whereas it was not until 1859 that the construction of ironclads was begun by the Admiralty. In that year the famous *Warrior* and the *Black Prince* were laid down, a special vote of a quarter of a million being taken by the Conservative Government for that purpose before they left office. Later in the year the Liberal First Lord ordered two other ironclads, and again, in the autumn of 1860, a further two. In 1861, the activity in the French dockyards in the construction of ironclads—the *Gloire* and the *Magenta* were afloat, the *Solferino* and other ships were nearly ready,—seriously alarmed the country and the Government and induced them to make a considerable further effort, the result of which was that, during 1861, five wooden first-rates were cut down

of steam-bridges, he would remind him that there were two parties who could play at making them." (*H.*, July 30th, 1848.)

* Lord Palmerston, fully convinced as he was of the gravity of the situation, did his best to make light of it to the foreigner. He describes, in a letter to the Queen (*Prince Consort*, v. 72; *Ashley's Life*, ii. 190), a conversation between himself and Count Flahault, in which the latter had spoken of a possible breach between England and France. "'What I most fear,' added the Count, 'is an invasion of England, for which steam affords such facilities.'" Lord Palmerston replied that steam tells both ways, for defence as well as for attack." And no doubt, while steam has enabled an invading force to be more quickly transported, the telegraph and the railway has enabled the defence to be far more quickly concentrated at any given point.

† The rudimentary ironclad, or "iron-sided" ship as it was first called, in the form of floating batteries faced with iron plates, was introduced by the French during the Crimean War, after the battle, or "massacre" of Sinope had proved the fearful destructibility of shells to wooden ships, and the ill success of the English Fleet in the Baltic, had proved the superior strength of forts over wooden ships.

and converted into iron-cased ships; and the first instalment of the cost of six other ironclads was taken in the form of a supplementary estimate.

In pre-Crimean days, as we saw, the number of sailors and marines had averaged 30,000. At the time of the Crimean war the number rose to 70,000; and by 1858 it had again fallen to 60,000.* This number was raised in 1859 to 71,000, a number actually higher by about a thousand than during the crisis of the Crimean war.† But even this number was increased the following year, when it reached the stupendous total of 84,000. From this point there was, a gradual reduction for some years; the number remaining however, as in the case of the army, at a very considerably higher level than before the war.‡ A better system of naval reserve was introduced about this time. The Royal Commission, which had been appointed in 1859 to inquire into the whole question of National Defences, had recommended the creation of a naval reserve of some 70,000 men of all sorts. The Admiralty, though not adopting these recommendations in their entirety, proceeded to set their house in order, and to form a nucleus for an efficient reserve.

Thus, though in 1861, England in the construction of ironclad powerful ships had scarcely arrived at the point reached by France in 1859, by 1862 she was rapidly gaining, and before

* In 1858 the coast-guard, then numbering some 7,400 men, was transferred from the Revenue Department to the Admiralty; a force, which since its transference has become infinitely more efficient and valuable for every purpose than it was in old days. See Lord Brassey, *The Navy, in Reign of Queen Victoria*, i. 241.

† In 1854, 63,500 men, &c., were voted; in 1855, 70,000; in 1856, 61,000.

‡ Of late years, indeed, since the introduction of the ironclad, the number of men which formerly to a large extent represented the unit of strength, is now subsidiary to other things, a first-class ironclad requiring far fewer seamen and marines than an old three-decker. A first class ironclad has a complement of only some 400 to 500 men. The captain of *The Royal George*, an old three-decker, "went down with twice four hundred men."

At the battle of Trafalgar, the largest guns on board the *Victory* were 32-pounders, and were worked by handspike, or rope and pulley blocks, eight or ten men being required for each gun, and the men being much exposed while loading. Now one man can train and fire the 110-ton gun. See Brassey, *Navy, Reign of Queen Victoria*, p. 260; Carbutt, *Address to Institution of Mechanical Engineers*, 1887, p. 3.

Indeed a modern man-of-war comprises the Eastern Pasha's idea of England's civilization—

"Whirr! whirr! all by wheels!

Whiz! whiz! all by steam!"

Everything is worked by steam, nothing by hand. On the engineer and the stoker, as much or more than on the A.B. or the marine, now depend the fortunes of the day. Machinery accumulates and men decay.

1865—when she had 30 ironclads afloat—had re-established her wonted superiority at sea.

Before the Crimean war, the regular army had numbered between 110,000 and 120,000. Raised at one moment during the war to nearly 250,000 men, the home army had since been reduced to about 125,000 men. In 1860 it was raised to 143,000, chiefly with a view of replacing the Militia embodied during the Crimean war, and now to be finally disembodied.* By 1863 the numbers had risen to 148,000, after which, until 1870, there was a gradual reduction.

Apart altogether from the necessity of these increases in the number of the men, both services were becoming increasingly costly. On the one hand, increased pay and comforts in clothing, food, and lodging for soldier and sailor, and, on the other, improved means of attack and defence, entailed a greater outlay than formerly. To the “fighting beggars” as well as to the “thinking beggars,”† a considerable amount of the higher cost was due. It was essential that, if the British army and navy were to be maintained on a volunteer footing, the attractions to join had to keep pace with the improvement in wages and employment elsewhere.

The science of attack and defence, which had slumbered for many years,‡ was rapidly being raised to a fine art. When science

* The militia had been embodied in 1855, and the cost that year amounted to three millions. In 1856 the cost was £1,370,000. By 1857 a considerable number of the militia had been again disembodied, and the cost was reduced to £727,000. The number embodied was again increased in 1858, and the cost rose to £900,000. The militia were finally disembodied in 1861. (See Return 431 of 1869, and Army Estimates and Militia Returns.)

† See Leech's Cartoon, *Punch* in 1861.

‡ The Great War, though it advanced the arts of strategy, scarcely advanced at all the means of destruction. The Napoleonic struggle was fought out by soldiers armed with smooth-bore muskets, fired by means of flint and steel, the mode of ignition which had been in use ever since it had superseded the match-lock, about the beginning of the eighteenth century. The percussion-cap was, indeed, invented in 1807 by a Scotch clergyman, but it did not come into use until some time after the close of the Great War. The triangular bayonet, though improved in detail, has “held the field” almost since bayonets were first introduced, about the middle of the seventeenth century.

The old “Brown Bess” smooth-bore only gave way to the rifled musket—hence called a “rifle”—on the eve of the Crimean war. The “Brown Bess” was hardly like Bob Acre's pistol, a very “desperate bloody-minded weapon.” It may be said of it with some truth that the better the marksman and the straighter the aim the safer the enemy.

At the beginning of the Crimean war “our gunners in the trenches fired mortar fuses bearing dates of the last years of the eighteenth century.” (Capt. Orde

comes into play, reconstruction becomes the order of the day, and costly "transition periods" rapidly follow one another. The first costly naval reconstruction had been in Peel's time, and since then invention, though not very rapid, had been making that progress which entailed considerable expenditure. The Crimean war laid the foundation for further expenditure; and the four years, 1859 to 1862, formed a peculiarly costly "transition period." A pause then ensued, but within a few years another "transition period" came round, and since then, the experimental, and costly stage, has become chronic. The size, complexity, and cost of ships, ordnance, arms, ammunition and defences has been multiplied many fold: man never is, but always to be blessed with a perfect weapon of attack or a perfect means of defence.

During the particular transition period of which we are now speaking, the whole navy from the top to the bottom had to be renovated, transformed, and remodelled.* Steam had to be universally applied; an ironclad fleet had to be created. On land and on sea the old ordnance and small arms had to be exchanged for new.

Lord Derby had dissolved Parliament in April, and immediately on the meeting of the new House in June, had been turned out of office. Hence the Budget of 1859 was not introduced until July.† It was a professedly provisional Budget. Provisional, because, the year to follow had long been marked out in advance

Brown, *The Navy, Reign of Queen Victoria*, i. 262.) About the same time, though a little later, that the "rifle" was introduced, the smooth-bore cannon gradually gave place to the rifled Armstrong and Whitworth "gun." The Armstrong breechloading guns first came into action in 1857 and 1860 in China.

* The transitions in armour and general adaptability of ironclads have been many and various. At first built full-rigged, and as similar as possible to wooden ships, they have gradually decreased in length and increased in breadth, the greater engine-power has prevented diminution in speed. By degrees they have shed their rigging and masts, and become for the most part nothing but huge iron coal-scuttles. Since the introduction of the ironclad the naval and ordnance construction have been engaged in one prolonged contest, first the one and then the other gaining the advantage. A gun is constructed to penetrate the armour, the armour is strengthened to keep out the projectile. Again the gun is increased in size and power, and, unlike Don Quixote, who was content with one trial of his helmet and then preferred to take its invulnerability for granted, the naval constructor has strengthened his defences. Thus the 68-pounder has developed into the 110-ton gun, and the 4½ inch plates of the *Warrior* into the 20 inch armour of the *Trafalgar*. See especially Lord Brassey's volumes on the *British Navy* and his *Navy Annual*.

† *H.*, July 18 1859.

as an epoch in the history of finance, and one which would of necessity, involve a reconsideration of the whole fiscal system. It was eminently desirable, therefore, that in 1859 nothing should in any way be done to prejudge or to interfere with the financial position of the year 1860, but that attention should be "rigidly confined to the wants of the year."

The revenue of 1858 had shown some expansion, and had exceeded the estimate by a million and a half.* The estimate of expenditure had been increased by a million and three-quarters, partly in consequence of deficiencies due to the year 1857, partly in consequence of an old Russian war debt, and a charge for the Chinese war, and, in spite of certain savings, had exceeded the original estimate by a million. The total expenditure had amounted to £64,660,000; the revenue to £65,480,000; leaving a surplus of £820,000.

For 1859 the prospect was decidedly unpleasant. The revenue, with the income tax at the 5*d.* of the previous year, could not be expected to produce more than £64,340,000, while the expenditure was put at £69,200,000; an increase over that of 1858 of no less than four millions and a half, chiefly on the army and navy. The deficiency to be met amounted to nearly five millions. Though the deficit was, according to the Chancellor of the Exchequer, somewhat of an "ambiguous character"—being partly due to expenditure of the nature of war expenditure in time of peace—he, like Peel before him, rejected with scorn the idea of borrowing to meet the deficiency; a resolution which, in these days (in spite of the experience of 1878-80), does not appear very heroic, but which, a generation ago, seemed to require some defence. "In time of peace," said Mr. Gladstone, "nothing but dire necessity should induce us to borrow"; a principle to which he steadfastly adhered in after days.

How then was the deficit to be met? First a sum of £780,000 was to be obtained, not exactly from additional taxation, but from an equivalent public source, by shortening the so-called "malt credits," thus bringing into 1859 money which would not otherwise have been received until the following year. But 1860

* £826,000 of this was due, however, to exceptional "miscellaneous" receipts. The income tax produced £580,000 more than the estimate, and customs £700,000, but the excise fell short by £700,000.

would in no way suffer loss, for while 1859 would trench on the resources of 1860, exactly in the same way 1860 would trench on those of 1861, 1861 on those of 1862, and so on till taxes are no more.* But four millions of revenue was still required, and the Chancellor of the Exchequer refused to resort to the "odious course" of raising the duties on tea and sugar, which, while the income tax had been reduced, had been still maintained above the peace level; while, moreover, the whole question of these duties would have to be considered the following year. The malt duty of late had shown inelasticity, a warning against further taxation. The spirit duty had only the year before been increased and equalised, and the results of the increased duty were so unsatisfactory as to make it clear that, for the moment, at all events, spirits required a rest.

Besides this, it was specially desirable that from this year no remnant of receipts, any more than any excess of expenditure, should be left over to confuse the finance of 1860. Already, three months and a half of the fiscal year were numbered with the past; while the fear of coming taxation had caused very considerable anticipatory deliveries out of bond. A customs or excise duty begins to be received only from the moment of its imposition, and cannot be retrospective, so that if a duty on any articles of general consumption were imposed, not much more than an equivalent to seven or eight months' additional

* The system of malt and hop credits was this:—In the ordinary way, excise duties were paid within five or six weeks after they fell due; that is to say, after the article produced had been "gauged" or passed. But—a survival from the old system of protecting and bolstering up all the industries connected with the agricultural interest—the maltsters were allowed in addition, another eighteen weeks, in all about six months' credit. The grant of this additional credit was equivalent to a loan by the State to the maltsters of an amount estimated at two millions and a half. It was now proposed to shorten the credits by six weeks, and thus to call in about a third of the loan. In 1860, a further third of the loan was called in, to an amount of £1,100,000, the credits being shortened by another six weeks, an estimated reduction of outstanding capital altogether of about £1,870,000.

The system of "hop credits" was even more indefensible than that of malt credits. The crop was picked in August or September, and sold about October, and yet the hop-grower—so tenderly had he been dealt with—was not called upon to begin to pay the duty until the following May, and then only a moiety, the other moiety standing over until the following November, after he had actually grown and sold another crop. In 1860, this system was altered, and the duty was made wholly payable in the January following the autumn in which the crop was grown.

The Commissioners of Inland Revenue, in their first Report, issued in 1857 (*P. P.* 2199), had reported strongly against the "vicious system of credit," both in the case of the malt and hop duties. (*P. P.* 11 & 12.)

revenue could be received within the financial year, and the balance would have to be left to be collected in the next.

The only remaining alternative was to increase the income tax; and this was raised from 5*d.* to 9*d.*, to produce in all £4,340,000. But in those days, in the ordinary course, not more than two-thirds of the tax imposed in a particular year could be collected within the financial year, there being always heavy arrears.* In order, therefore, to obtain the whole of the additional revenue in the current year; the extra pence were imposed, not at the rate of 4*d.* over the whole year, but at the rate of 8*d.* on the first half of the year. When the income tax had, in the previous year, been reduced to 5*d.*, the distinction of rate set up in 1853, between incomes under and over £150, had disappeared. But now that the tax was again increased, the distinction was to be revived, and the smaller incomes were to pay at the rate of 6½*d.* instead of 9*d.* Thus, said Mr. Gladstone, when the tax-gatherer "showed, what I suppose we must call, his ill-omened visage at the taxpayers' door," he would demand for the first half of the year a tax at the rate of 13*d.* for those above, and 8*d.* from those below the line of small income.

The total additional revenue would amount to £5,120,000—income tax £4,340,000, and malt credits £780,000—the whole of which would be received in the year. The deficit was £4,867,000, and thus a surplus of £253,000 would remain to be carried forward. Under the peculiar circumstances of the year, the proposal to obtain the necessary revenue by means of the income tax alone, was unquestionably the right one. But it was by somewhat of an irony of fate that it should have fallen to the lot of the statesman, who, but two years before, had so vehemently opposed the maintenance of the tax at 7*d.* for a specific object, to be now forced to increase it to the highest point to which it had ever attained in time of peace—even if of an "ambiguous character"—merely in order to meet an ordinary deficit.

The action which was taken this year in regard to the income tax marked—though it was not intended to mark—a new departure in the use to which it might be put. Between 1842 and 1852 the

* See II. 42 and 82-88.

tax had been thrice voted for a nominal term, and twice annually, at the fixed rate of 7*d.* in the pound. In 1853 it had been renewed for a further and specified period of seven years at a diminishing rate. In 1854 and 1855 the tax—then in its element as a war tax—was considerably increased. But, even in those years, it was specifically voted, at the higher rate, for a definite period, namely, until a twelvemonth after the close of the war. In 1857, Sir G. Lewis, desiring to keep the tax above the rate fixed by the Act of 1853, had proposed to maintain it at the old 7*d.* for three years certain. In 1858 his successor had allowed it to fall to 5*d.*, in order to carry out the letter of the arrangement of 1853, though the revenue derived from the extra twopence was urgently needed.

It is clear from these cases, that, up to 1859, the income tax was looked upon as a tax producing a specific annual income, and not as a tax to be raised with the varying needs and circumstances of the year. Indeed, even in 1848, when Lord John Russell had desired to raise the normal sevenpence to a shilling, he had proposed to do so, not for a single year, to meet an exceptional state of finance, but to renew the tax for a term of five years, at a shilling for the first two and sevenpence for the last three. In 1859, for the first time, the tax was treated as a makeweight in finance, and was increased for the year, and with a view to the current year only, in order to fill up a simple deficiency on the ordinary expenditure. This precedent was followed in 1860, and from that time the tax came gradually to be regarded as one to be annually put up and down as necessity or superabundance dictated.

At first, as we shall see, except in 1859, indirect taxation went hand in hand with direct in the changes that were made.* The first occasion on which resort was had to the income tax alone was in 1867; and, from that time forward, Chancellors of the Exchequer scrupled little to make the income tax bear by itself the weight of increased taxation, when additional revenue was required.

* See II. 47.

CHAPTER X.

“1860.”

THE year 1860 had been, as we have seen, long marked out as an important epoch in British finance. The ghost of the “arrangement of 1853,” under which the income tax was legally to expire, which had haunted all intervening Budgets, was to be laid at last; while, with the year 1859, the modified “war duties” on tea and sugar, also legally lapsed, and thus some eleven to twelve millions of taxation would disappear unless renewed. On the other hand, the “long annuities”* together with other small annuities amounting to over two millions a year, would fall in, liberating revenue to that amount. And now, on the top of all this, a Commercial Treaty with France of great importance had just been negotiated, and awaited the approval of Parliament. Thus did circumstances combine to give to Mr. Gladstone’s unrivalled genius in finance, opportunity, scope, and incentive; and to enable him to crown the edifice of which his great master had laid the foundation stone, and which he himself had helped to raise.

In consequence of the necessity of obtaining a speedy ratification of the French Treaty, and in order to place the House and the country in early possession of its provisions, the Budget was introduced nearly two months before the close of the financial year.† The Treaty depended on the Budget; as did the Budget on the Treaty; and a somewhat premature financial statement was therefore necessary, in order to avoid the disturbance to trade which would have been caused by prolonged anticipations

* The “Long Annuities” dated from 1780. Their actual amount in 1860 was £1,200,000. See *II.* 29.

† Budget Speech, *H.*, Feb. 10th, 1860; republished in Revised Speeches.

of tariff changes and impositions or remissions of taxation. The ordinary revenue of 1859* had considerably exceeded, and the ordinary expenditure had been considerably less than the original estimates. The expenditure had been swelled by two exceptional items. The one was a vote of credit of £860,000, granted near the close of the financial year, for the expedition to China—"an expedition to be in the first instance the bearer of a peaceful remonstrance"—which soon, however, turned into a costly invasion. The other was a sum of £400,000 for an army excess of expenditure belonging to 1858, which had had to be made good in 1859. The actual expenditure, including these two items had amounted to sixty-nine and a half millions; excluding these, to sixty-eight and a quarter, a saving of a million over the original estimates,† a saving that was almost altogether due, however, to the non-expenditure within the year of a considerable portion of the extra supplies which had been granted for the navy.‡

The state of the revenue was very satisfactory. The "tax revenue"||—eliminating the income tax—showed an increase over that of the previous year of three millions; part of which increased receipt was, however, due to anticipatory deliveries out of bond of spirits and other articles on which increased taxation was feared.** The revenue had come to £71,100,000 and the realised surplus to £1,600,000.

* The figures here given are those of the actual results, not those given in the Budget speech, which were necessarily only estimates. At the time that the Budget was introduced (*H.*, Feb. 10th), Mr. Gladstone anticipated a realised surplus on 1859 of only a few thousand pounds; whereas, in consequence of economies on the one hand, and of improved receipts on the other, the surplus actually realised amounted to over one and a half million.

† An army excess of expenditure for 1859, amounting to £206,000, was, however, voted in 1861, and this must be added to the above.

‡ Whether this was a real saving or no, I am unable to discover, there being a very considerable discrepancy between the "Finance Accounts" of 1859-60, and the "Naval Receipts and Expenditure" for the same year. According to the former the naval expenditure (including packet service and China) amounted to £10,834,373; according to the latter they amounted to £11,655,574. The following year there was also a considerable discrepancy between the two accounts, amounting to about £400,000; and on this occasion it is the "Finance Account" which shows the larger expenditure. It is probable that the accounts of the two years, for some reason or other, somewhat overlapped.

Between the "Finance Accounts" and the audited accounts of each year there is, of course, always some difference, but usually not very great. In these two years the discrepancies are remarkable.

|| By the "Tax Revenue" is meant the receipts derived from customs, excise, stamps, land tax, inhabited house duty, and income tax; all the revenue, in short, derived from actual taxation, and exclusive of the miscellaneous receipts and the profit derived from the Crown lands and the Business Departments. ** See *I. 251*.

For 1860 the outlook was eminently unsatisfactory. On the debt charge, indeed, there would be a saving of nearly two millions and a half, of which some two millions were due to the falling in of the annuities, and £400,000 to an extra quarter's charge for those annuities, which had come into payment in 1859, instead of into the current year. Against this saving—a merely nominal saving, however, for by so much the less would the debt be redeemed—the army and navy estimates again showed alarming increases, and this time the War Office was the chief offender. The increases were due partly to further panic fears of French invasion—invasion by that power with whom we were at the very moment in offensive alliance against China, and with whom we had just concluded a friendly treaty of commerce—partly to the Chinese expedition, and partly to the general increase of expenditure entailed by the cost of improved armaments. The Chinese expedition had cost £860,000 in 1859, and was now expected to cost rather over another million and a half, of which half a million was taken in the form of a further vote of credit, and the rest as an addition to the ordinary army and navy estimates.* The total estimated expenditure amounted to over seventy millions; a sum which, excluding the charge for the debt, actually exceeded the expenditure of the first year of the Crimean war, and even rivalled that of 1856.

In calculating his revenue, the Chancellor of the Exchequer, falling back on the arrangement of 1853, included only the arrears of income tax still uncollected from the previous year, amounting to about £2,400,000, and for the current year excluded altogether the tax itself. The tea and sugar duties he took at the reduced rates to which they ought by now to have fallen, namely:—the tea duty at 1s. the pound instead of 1s. 5d., and the sugar duty at an average of about 10s. instead of 12s. the cwt. On this basis the total estimated receipt, on which the Chancellor of the Exchequer professed to be able to reckon, came to but £60,700,000, against the £71,100,000 received the year before.†

* See *II.* 243.

† It should be remembered that in those days, with the exception sometimes of the Post-office revenue, no allowance was as a rule made in the Budget estimate for any increment of revenue in the year. (See *II.* 178.)

The miscellaneous revenue included a sum of £250,000, the second moiety of an old debt due from Spain, the first moiety of which had been received and likewise appropriated in 1859 to the ordinary purposes of the year.

With an estimated expenditure of £70,100,000, and a revenue of £60,700,000, there would be a deficiency of no less than £9,400,000. Seven years before, it had been confidently anticipated that, by 1860, there would be such an excess of revenue over expenditure that the final extinction of the income tax would be rendered feasible, and now the balance was very much on the wrong side. How had this failure come about?

The foundation of the proposal of 1853, was, it will be remembered, this: * first, the ordinary optional expenditure was not to increase in the seven years; secondly, the debt charge itself was to diminish by some £3,400,000 a year; thirdly, the loss to the revenue from the remissions falling on 1853 and subsequent years (some £5,400,000, exclusive of the income tax) was to be recouped by the elasticity of the revenue itself, leaving fully available the receipts (some million and a half) derived from the taxation at that same time imposed. Thus, the total loss arising from the gradual extinction of the sevenpenny income tax, estimated at about six millions, was to be met, on the one hand, by the two millions and a half of gradually increasing taxation imposed in 1853, and, on the other, by the gradual reduction of the debt charge to the extent of three millions and a half.

But a great and unexpected European war had intervened, and the forecast had been only half fulfilled. The revenue had, in gross, wonderfully responded to the expectations of seven years before. True, the original estimate of individual taxes, as compared to the actual results in 1860, had suffered some damage. The succession duty, as we have seen, was producing but half a million instead of the two millions expected—a loss of £1,400,000.† Within the same period also, certain taxes—the newspaper stamp duty and a carriage duty—producing about £450,000 a year, had been repealed; while, on the other hand, the spirit duty had been increased by some £800,000, or £900,000 a year. On balance, therefore, the taxation in force was about a million a year less than the amount at which it had been taken in the estimate of 1853. But nevertheless, for 1860, the revenue, after excluding the income tax, its arrears, and the extra duties

* See *I. 115*.

† Cf. *P. C. 82 I.*, 1870, p. 156.

on tea and sugar, was estimated at £58,300,000, while the gross estimated revenue of 1853, including five and a half millions of income tax, and the higher duties on tea and sugar then in force, had been but £57,333,000. As far, therefore, as the revenue was concerned, the income tax might have been relinquished. Of the expenditure there was, however, a very different tale to tell. The estimated expenditure in 1853 had been £56,275,000 ;* that for the coming year had risen to £70,100,000—an increase of no less than $13\frac{1}{4}$ millions. The debt charge which was to have shown a diminution of £3,410,000, only showed a diminution of £1,600,000, or less by £1,800,000 than the original estimate.

It is the unforeseen in finance that usually happens. The all-disturbing Crimean war—not only costly in itself, but leaving behind it a costly legacy of increased armaments and European disturbances—had entirely and unavoidably vitiated the elaborate calculations and brought to nought the scheme of 1853.

Naturally, the failure of the calculations and expectations of seven years before, laid the Chancellor of the Exchequer open to severe criticism, and criticism was not sparingly applied. The leader of the Opposition compared him to the fashionable conjurer who once, for forty-eight hours, actually made people believe that he would creep into a pint bottle. "The Right Hon. gentleman has enjoyed the position of a bottle conjurer for seven years. That is a long time, and the person who has been the hero of a popular delusion for seven years, enters into one of the first categories of human achievement."†

With such a grave deficiency in the revenue, Mr. Gladstone had no choice but to renew the income tax. He had never proposed to abolish it at the cost of indirect taxation; but only if the spontaneous growth of revenue derived from existing

* This is the "gross" expenditure, an addition of £4,192,000 having been made to the Budget estimate, which was "net." See Budget Speech, 1853, and *Stat. Abstract*, C. 144, p. 6.

† This simile had done public duty before. Mr. Disraeli—who never shrunk from repeating himself, as witness his famous phrase about "three campaigns," that made, in 1878, such a sensation, but which he had already used more than once before—had, as long before as 1844 (April 22), spoken of the "great historical view of the case, 'the bottle-conjurer' view of the case." And Sir James Graham a little later applied the simile to Mr. Disraeli himself. At the election of 1852 the Chancellor of the Exchequer had spoken of "events looming in the future." "We hear," said Sir James, "of things 'looming in the future.' I will tell you what is looming in the future—a quart-bottle into which a conjurer is to jump." (July 26, 1852.)

taxation, combined with stationary expenditure and continued relief of burdens, provided the opportunity. The opportunity had not come, the income tax had to be indefinitely renewed; and thus ended the first attempt to extinguish the income tax. Twice again Mr. Gladstone returned to the charge, and under his reduction scheme of 1864 and 1865, and again, more specifically, in 1874, he attempted to provide the country with an opportunity of dispensing with the tax. But all three attempts successively failed, owing on the first occasion to the Crimean war, on the second occasion to the change of Government, and on the third occasion to the unpopularity of the Liberal Ministry.

The dealings with the income tax in 1859 and 1860, the fiscal reforms of 1860, the remission of indirect taxation in subsequent years, themselves did much to help to perpetuate the income tax by diminishing other sources of revenue, and by accustoming the country to the use of the tax as an ordinary annual make-weight. Mr. Gladstone's dream has been to destroy the tax, his fiscal work has resulted in making it perpetual.

War, and the exhaustion following on war, are fatal to progress, political, social, or financial, especially when combined with the confusion and loss of time consequent on rapid changes of Government. From 1854 to 1860, fiscal, as well as legislative reforms, had been practically in abeyance. The first three years had been years of heavy burdens, the last three years, years of considerable relief; but the taxation imposed had taken the simple form of additions to existing duties, the relief, when it came, had been merely the removal of a portion of the war taxation. And now, for 1860, there was an estimated deficit of nine millions and a half. To most Chancellors of the Exchequer such a state of things would have seemed sufficiently gloomy and depressing to have discouraged innovation, and to have justified great caution. But to Mr. Gladstone, to grapple with financial difficulties was an intellectual pleasure; and the very size of the deficit but served to give scope to his financial genius. The fact that the expenditure had so greatly risen, and risen to a permanently higher level, was, as he justly argued, a reason rather for persevering in, than for arresting, "the process of reforming the commercial legislation of the country." Between "com-

mercial reforms, as affecting trade and industry and the power to pay high taxes," there subsisted an intimate connection; for fiscal reforms, by encouraging the expansion of trade, led to increased consumption and improved revenue.

Nothing daunted, therefore, Mr. Gladstone, following and enlarging on the example of Peel in 1842, still further widened the gulf, before filling it up. The Commercial Treaty with France (of which we will treat separately) itself necessitated not only the reduction of the duties on wine and on brandy, but the abolition of all remaining duties on manufactured imports. Thus, under its provisions, considerable alterations of the tariff were rendered necessary, and the opportunity appeared to be one eminently fitted for combining with these alterations, such other fiscal improvements as would bring to completion the reform of the Customs tariff begun eighteen years before. The treaty itself entailed some loss of revenue; and, in order to accomplish his further object, the Chancellor of the Exchequer did not hesitate to relinquish other sources of revenue.

The Budget of 1860, by its comprehensiveness and breadth of view, vied with or even surpassed in interest and importance its four famous predecessors of 1842, 1845, 1846, and 1853. This the fifth revision of the Customs tariff was in some ways more extensive, it was certainly more complete, than any that had gone before. It marked the final adoption of the Free Trade principle, that taxation should be levied for Revenue purposes alone, and that every protective, differential, or discriminating duty that still found "comfortable shelter and good living in holes and corners of the tariff" should be dislodged. It marked also the full adoption of the further principle—the antipodes of that propounded by "old Arthur Young"—that the most economical, least destructive, and most recuperative fiscal system, was that under which duties were levied on a few great articles of general consumption, while the other articles of trade went free.

We have already traced the progress that was made during the period of Peel's administration in the revision of the Customs

* Sir G. Lewis, by the way, was also a member of the Cabinet which agreed to the Budget of 1860.

tariff; * and shown how the number of duties had been reduced from over a thousand to less than half the number. Between 1847 and 1852 (inclusive) a further 159 duties had been reduced, but only five had been repealed; and by the end of 1852 the total number of articles, or sub-divisions of articles, still subject to duty was 483. In 1853, the duties on 180 articles had been reduced, and 158 duties had been repealed. Between 1854 and 1859 (inclusive) duties on a further 30 articles had been reduced, and two repealed. In 1860, the number of duties still in existence was 397; and now 56 articles, at a cost of £1,860,000, were reduced, and 259, at a cost of £980,050, were repealed; and after the changes then made a tariff was left consisting of but 143 articles, and subdivisions of articles, liable to taxation.†

Of these duties, to trace their further decline and fall, sixteen were further repealed in 1861, bringing the number down to 127. Between 1861 and 1866, in consequence of certain changes in the system of charge, the number was increased to 133. In that year it was further reduced by 33, bringing the total down to 100. In 1867 the 100 was reduced by 36; and, step by step, still further reduced until, by 1886, the different articles charged numbered in all but 47, against the 1098 of fifty-four years before. A bare enumeration, which shows how clean a sweep was made between 1841 and 1861 of the cumbrous complications of the Customs tariff, and how little it has since been possible to do in that direction.

The 143 duties still in force after the revision of 1860 were charged on 45 distinct articles; of these only 16 (including paper, which survived another year) were articles producing an appreciable amount of revenue, the duties on the other twenty-nine subordinate articles being mostly retained in order to prevent the evasion, smuggling, and fraud which might otherwise arise from the unfortunate similarity which these lesser articles happened to bear to the greater. The sixteen principal articles consisted of spirits, tea, tobacco, sugar, and wine, each yielding from one to six millions; coffee, corn, currants, and timber, each yielding from £200,000 to a million; cocoa, hops, pepper, rice, raisins,

* See *I. 65*.

† See Report of Comms. of Customs, 1870. (C. 143, 1870.)

figs, and paper, each yielding from £20,000 to £200,000. The whole producing a revenue of £22,930,000. Of these articles, sugar and paper (in the first class), corn and timber (in the second class), hops, pepper and rice (in the third class), have been since freed from duty; leaving now but twelve principal articles in the tariff.

The subordinate articles subject to customs duty were fruits and vegetables preserved in sugar, chocolate, chicory, arrowroot, sago, vermicelli, chloroform, naphtha, varnish, vinegar, pickles, etc., and there were duties to countervail the excise duties on beer, malt, gold and silver plate, and playing cards. The total produce from these minor articles amounted in 1860 to £93,200. Of these the duties that depended on the sugar duty or on the duty on corn have since disappeared.

The import duties repealed in 1860 included those yet remaining, at the rate of five, ten (and in the case of silk of fifteen per cent.), on manufactures of any considerable commercial importance; those on what may be called "fancy manufactures;" those on articles of food, including oil; those on such articles of primary comfort or necessity as candles, soap and glass; and lastly, those on a raw material—tallow.

We have seen how the heavy protective, often prohibitive, duties on the manufactured articles of commerce had gradually been reduced under the increasing enlightenment of the times. Huskisson had begun the good work by abolishing the prohibitive and considerably reducing the protective duties; and by at the same time reducing the duties on the raw materials of industry.* Peel had followed in his footsteps, and after abolishing nearly all the duties on raw materials, had ended by reducing by one half the remaining protective duties on manufactures, and by altogether relieving certain of the commoner and less finished goods. Mr.

* With a complex customs tariff it is not always easy to class a particular article. "A gentleman," related Huskisson in one of his financial speeches, "imported a mummy from Egypt. The officers of the customs were not a little puzzled by this non-enumerated article. These remains of mortality, muscles and sinews, pickled and preserved three thousand years ago, could not be deemed a raw material; and therefore, upon deliberation, it was determined to tax them as a manufactured article. The importer, anxious that his mummy should not be seized, stated its value at £400. The declaration cost him £200, being at the rate of 50 per cent. on the manufactured merchandize which he was about to import." (*Speeches*, ii. 341.)

Gladstone, in his revision of 1853, had gone still further :* and the finishing touch was now to be put by the final and total abolition of all these duties. Manufactures of cotton, woollen, linen, leather, and hair ; those of metals—bronze, brass, copper, lead, iron and steel, tin and pewter, glass and earthenware—were in future to compete on equal terms with the foreign imports ; while even the silk and lace industries were at last to be left without legislative protection.

Of the woollen and silk trade—the two home industries, as sugar and timber were the two colonial industries, most protected in the past—a few words must be added. The great woollen industry had in earlier days been “nursed and dandled,”† fettered and protected, hampered and hindered, in a thousand ways. During the reign of Charles II., so powerful were the woollen interests, that when a taste began to be developed for linen shrouds—mostly of foreign import—a law was passed that every-one, rich or poor, should be buried in a woollen garment. In the time of William III., as every schoolboy knows, in order to preserve the English woollen manufactures, the woollen trade of Ireland and the Colonies was destroyed by almost entirely confining their market to England. On the other hand, the linen trade of Belfast—not looked upon as antagonistic to English industry—was fostered, encouraged, and promoted. The woollen industry had made great headway, and, by the beginning of the eighteenth century, England was producing woollens unrivalled in quantity or quality.‡

In order to encourage the manufacture, and to prevent the foreigner from obtaining British wool, which was pre-eminently suited for the manufacture of woollen goods, the export of wool had been, from the middle of the seventeenth century, prohibited. In 1788, lest the sheep should carry their wool with them, the export of sheep was also forbidden ;|| while, to make assurance doubly sure, no shearing was allowed within five miles of the coast. Innumerable, indeed, were the regulations made

* See *I.* 121.

† Huskisson, *Speeches*, ii. 331.

‡ By the beginning of the eighteenth century England had, says Mr. Dowell, “a monopoly of the clothing of the known world, except those with whom she was at war” (iv. 434). See McCulloch’s account of the woollen trade in his *Statistical Account of the British Empire* (1847), i. p. 650 : for the silk trade, p. 713.

|| Repealed in 1853.

from time to time as to the mode in which the wool should be clipped, packed, and dispatched. The prohibition on the export of British wool, and the practically prohibitory import duty on foreign wool, were repealed by Huskisson in 1825, and in their stead very moderate duties were imposed, which were relinquished some twenty years later. The import of foreign woollens had for the most part been altogether prohibited; a prohibition that, by 1819, had given way to a duty (practically prohibitive, however) of fifty to seventy-five per cent. of the value. This duty was reduced by Huskisson to fifteen per cent., further reduced by Peel to ten, and in 1853 by Gladstone himself to five per cent.

Silk was the last of the great manufactures to be effectively protected. Fostered almost from its very initiation, it had, however, never taken any very firm hold in England, and had always been in a state of chronic disease and distress. At the time of the "war of tariffs"—after Colbert's attempted free trade policy had been overruled and reversed by the force of public opinion in France—French silk manufactures, which had before been admitted, were in retaliation prohibited. This prohibition (though not long maintained), followed, as it was some twenty years later, by the influx of Huguenot silk weavers in 1685, gave a great impetus to the home trade. Throughout the eighteenth century the industry was protected against its rivals by the prohibition of the use of printed calicoes for dresses or for household furniture, and by the prohibition of the import of East Indian and foreign silks. Such mischievous legislation as the "Spitalfields Act" of 1773, especially, which specified the class of persons who should be employed in the Middlesex silk manufacture, and regulated their wages, stifled improvement, invention, and enterprise, and exposed the trade to "the most appalling vicissitudes."* And, while the home silk trade was thus encouraged, the smuggler

* McCulloch, *Com. Dict.*, "Silk."

"The monopoly," as Mr. Huskisson said, in moving that the prohibition on foreign silks should cease and its place be taken by an ad valorem duty of 30 per cent., "had produced what a monopoly was always sure to produce, an indifference with regard to improvement,"—to the protective system it was to be ascribed that in silk only, in the whole range of manufactures, we were left behind our neighbours" (*H.*, March 8, 1824, *Speeches*, ii. 248). The duty on foreign silk was 14s. 7½d., and on raw foreign silk 5s. 7½d. per pound. The state of the silk trade under the system of monopoly, and the distressful condition of the Spitalfields weavers, was, previously to 1824, constantly brought under the notice of Parliament."

benefited likewise; and, in spite of their prohibition, French and East Indian silks were imported by the ton.* Huskisson, in 1824, changed the prohibitory duty into a protective duty of thirty per cent.†—high enough, in all conscience; and the bounty on exportation was abolished; while, on the other hand, the import duty on the raw material was reduced from 5s. 7½d. to a penny a pound. But the thirty per cent. duty did little to check smuggling, which was almost as great after the change as it had been before.‡ In 1846 the duty was reduced from thirty to fifteen per cent.; and, in 1853, this remaining protection had still been retained. Previous to 1860 the average annual value of silk manufactures imported into the country was about two to two-and-a-half millions, the exports amounting to about a million-and-a-half to a million and three-quarters. Of late years the imports have varied between eleven to thirteen millions; the exports between two-and-a-quarter to two-and-a-half millions.||

In the case of the woollen manufactures, the average value of the imports in the few years before 1860 was about a million, and that of the exports ten to twelve millions sterling. Nearly thirty years later the respective amounts were seven to eight millions and nineteen to twenty millions, the imports being highest in

* "If, at this moment," said Huskisson, in 1824, "every member were called upon (of course in secret committee) to produce his handkerchief, with the understanding that those who had not prohibited handkerchiefs in their pockets were obliged to inform against those who had—I am inclined to believe that the informers would be in a small majority. Upon every information laid under this prohibitory law, the chances are that the informer and the constable have bandanas round their necks, and that the magistrate who hears the charge has one in his pocket!" *Speeches*, ii. 512.

† See *I.* 20.

‡ Porter estimates that at least 50 per cent. of all the foreign silk used between 1827 and 1843 was smuggled (*Progress of Nations*, p. 226). See his evidence before the Import Committee of 1840 (p. 188 of *P. P.*, 601 of 1840), in which he showed that between 1827 and 1838, while, according to the French Custom House returns, 3,590,000 pounds weight of silk had been shipped from France to England, only 1,875,000 pounds had paid duty in England. He stated that in the case of both brandy and silk, the French Government connived at the smuggling of their products into England.

|| In 1886 the imports were only 10½ and the exports two-and-a-quarter. The highest point touched by the former was in 1879 and 1880, of the latter in 1881 and 1882. It is unfortunate that in the Statistical Abstract the imports are given (throughout these years) in value only and not in quantity; quantity being a much safer guide to trade than value. As regards the exports: in the case of silk the exports of "broad piece goods" increased from about a million yards before 1860 to seven-and-a-quarter millions in 1886; in the case of "woollen stuffs" the increase was from about 120 millions to 130 millions to some 200 millions of yards. The import duty on silk when repealed was producing about £300,000 a year, that on woollen manufactures practically nothing.

the last year of all (1886), and the exports reaching their highest point in 1872, when the total value was thirty-two millions. In the case both of silk and woollens it will thus be seen that the total trade is now infinitely greater than it was before 1860; the total silk exports and imports being some thirteen millions, against some three-and-a-half millions; and the woollen, some twenty-eight millions against some thirteen.

The duties on the "fancy articles"—a relic of the old theory that we ought to buy as little from the foreigner as possible, in order to sell him the more!—were innumerable in number and costly of collection, conducive to smuggling, and producing but little revenue. Agates, canes, umbrellas, china ware, clocks, corks, embroidery, and needlework, artificial flowers, feathers, beads, plaiting, gloves, jewels, watches,* opera glasses, hats, toys, gongs, and lucifer matches were among the articles now to be freed. Gloves brought in some £48,000; artificial flowers, £20,000; watches, £16,000; musical instruments, £12,000; while other articles yielded almost infinitesimal amounts. To keep up such a system of taxation as this was indeed "superstitiously to embalm a carcase not worth an ounce of the gums that are used to preserve it"† The duties not only extended to the most minute articles of manufacture, but were complicated besides. On a great many of these articles several different duties were necessarily levied: on clocks five different duties, on watches eight, on hats and bonnets six, on "opera glasses" two, on musical instruments ten.‡

* Pitt in 1797 imposed an assessed tax duty on persons wearing watches, at 10s. for a gold, and 2s. 6d. for a silver or metal watch; and on clocks 5s., a tax that lasted only one year.

† Burke on *Economical Reform*. The duty on onions produced £1,116; on opera-glasses, £2,860; on toys, £4,570; baskets, £2,500; while many others produced under £1,000 a-year (see *P. P.* 414 of 1870).

‡ For instance (after the reductions made in 1853) the duty on musical instruments stood as follows:—

Musical-boxes, small, not exceeding four inches in length, the air, 3d.: large, the air, 8d.: overtures, or extra accompaniments, the air, 2s. 6d.; pianofortes, horizontal grand, each, £3: upright or square, each, £2; musical harmoniums or seraphines, not exceeding three stops, each, 12s.: four stops, and not exceeding seven stops, each, £1 4s.: eight stops, and not exceeding eleven stops, each £1 10s.: exceeding eleven stops, each, £2; musical instruments, not otherwise enumerated or described, for every £100 value, £10; accordions, commonly called Chinese, the 100 notes, 1s.: other sorts, including flutinas and common German square concertinas, the 100 notes, 5s.; concertinas of octagon form, not common German, each, 4s.; brass instruments, all sorts, the pound, 9d.

The enumeration of all these instruments of torture suggests a doubt whether,

The articles of food still taxed—other than “dried fruits,” which successive Chancellors of the Exchequer in their wisdom to this day consider fit subjects for taxation—were rice, producing £25,000; oranges and lemons,* £35,000; nuts, £14,000; dates, £7,000; apples, pears, onions, quinces, medlars, almonds, cloves, ginger, nutmegs, £13,000; canary seeds, liquorice (the five different duties on which produced but £9,000); mustard, &c.; butter, £104,000; cheese, £49,000; and eggs,† £25,000; and, lastly, the twelve-headed duty on vegetable oils, £11,000.‡

Along with the other duties on manufactures, those on candles, soap, and glass—articles of prime necessity—on which at one time excise duties had been also levied, were abolished.|| The import duty on tallow (with the exception of the tax on timber, which survived yet another six years, the last remaining of the obnoxious taxes on raw materials of industry), was also repealed at a cost of some £90,000.

The old “colonial system”—which, in process of time, had come to mean practical freedom of trade for the colonies, together with partial protection, by means of differential duties, in the English market—was brought finally to an end by the abolition of the taxes on many articles on which differential duties were still

after all, it was humane on the part of Mr. Gladstone to remove any obstacle to their import!

* The duty on lemons and oranges is a good instance of the extraordinary complexity of the unreformed tariff. The Customs Act of 1824 details no less than eleven different or alternative duties charged on these fruits, a distinction being in every case drawn between lemons and oranges imported in a “British-built ship,” and those coming “in a ship not British-built.”

On cocoanuts there were also, in 1826, four distinct charges. First there was the simple charge of 1s. 3d. for any foreign cocoanuts; and while those, “the produce of and imported from any British Possession in America,” were charged but 6d., those “imported from any British Possession within the limits of the East India Company’s Charter,” had to pay 9d., and those “imported from any other place within the limits of the East India Company’s Charter,” one shilling.

† The duties on butter and cheese had been reduced by Peel, and were further reduced in 1853, though still left considerably differential in favour of colonial against foreign produce.

The quantities of butter, cheese, and eggs, imported into the United Kingdom at different periods have been as follows:—

	1842.	1852.	1859.	1886.
Eggs (No.)	90,000,000	108,000,000	149,000,000	1,035,000,000
Butter (cwt.s.) ...	175,000	285,000	426,000	2,431,000
Cheese „ ..	180,000	290,000	407,000	1,735,000

Butter includes butterine, now, by an unkind fate, compelled to bear the hated name of “margarine.”

‡ See *P. P.*, 420 of 1862 and 414 of 1870, etc.

|| See *I.* 34, 123, 60.

retained, and the equalisation of the duties on all those yet unrepealed.

Thus was finally brought to completion that freedom of trade which Adam Smith, the father of free trade, less than a hundred years before, had looked upon as impossible and Utopian.* Thus finally disappeared the old fiscal system, with its tariff, fearfully and wonderfully made, covering in earlier days almost everything that the hand of Providence could produce, or the wit of man could devise. A system of checks and prohibitions—tempered only by the smuggler—of bounties and protection, which impeded instead of promoting commerce. In its place was introduced a simplicity that has long been the envy of other nations: who have, however, unfortunately not extended to it that imitation which would have been the sincerest flattery.

It cannot be too carefully borne in mind, that the complications and absurdities of the old tariff were, for the most part, not a mere accidental outgrowth of the old order of things, but are necessarily inseparable from any system of taxation under which foreign manufactures, or foreign articles of food, are charged with duty for other than revenue purposes.† There are some 1,200 to 1,300 different articles, or qualities of articles, imported into this country,‡ and under any system of taxation of foreign imports—whether it be "retaliatory," "protective," or "reciprocal"—a very large number of these articles would have to be taxed. And, not only so, but unless the taxation itself is to be altogether unfair and unequal, nearly every article of import must be separately distinguished, divided, and subdivided; and on each division and subdivision a separate and distinct duty must be levied; while, if any attempt were made to discriminate between colonial and foreign goods, the tariff complications would be further aggravated.

We have already seen, in one or two instances, how extraordinarily complicated were the duties charged, even up to 1860, on articles of food and on the lesser manufactures. On some of the greater manufactures, the subdivisions, for purposes of duty,

* "To expect that the freedom of trade should ever be entirely restored in Great Britain is as absurd as to expect that an Oceania, or Utopia, should ever be established in it."

† The existing French tariff is worth studying, as a case in point.

‡ See list given in any enumerative Customs Consolidation Act.

were even more numerous. Thus, for instance, in the case of "leather," it was necessary, as late as 1859, to have no less than twenty-one different duties in the tariff for different qualities and values of leather manufactures;* while of silk there were actually forty-two different—and necessarily different—duties. And duties such as these, costly, vexatious, and hampering to trade, would inevitably have to be revived if the country reverted to a fiscal system entailing a customs levy on articles of import, for other than revenue purposes—by whatever name that system might be designated.

It was but natural that opposition should have arisen, even as late as 1860, to the repeal of all these protective duties. And, as usual, those who desired the maintenance of the existing state of things—like Huskisson's "green bottle" friend, and Peel's "herring fishermen"—were all "thorough free traders in every article," except the particular one in which they were personally interested, and which invariably seemed to deserve special treatment. They showed in fact, as the Chancellor of the Exchequer said, "that though they were without exception free traders, they were not adherents to free trade without exception." But the time was past for protection, and the Government experienced no great difficulty in obtaining the assent of the House and of the country to this portion of their proposals.

* The following is the enumeration of the leather articles that had before 1860 to be separately distinguished on importation for the purposes of taxation.

Boots, shoes, and calashes, the dozen pairs; women's boots and calashes, the dozen pairs; if lined or trimmed with fur or other trimmings, the dozen pairs; shoes with cork or double soles, quilted shoes and clogs, the dozen pairs; if trimmed or lined with fur or any other trimming, the dozen pairs; of silk, satin, jean, or other stuffs, kid, morocco, or other leather, the dozen pairs; if trimmed or lined with fur or any other trimming, the dozen pairs. Girls' boots, shoes, and calashes, not exceeding seven inches in length, the dozen pairs. Men's boots and shoes: if the quarter do not exceed two-and-three-quarter inches, or the vamp four inches in height from the sole inside, the dozen pairs; if either the quarter or vamp exceed the above dimensions, but do not exceed six inches in height from the sole inside, the dozen pairs; if either the quarter or vamp do exceed six inches in height from the sole inside, the dozen pairs. Boys' boots, not exceeding seven inches in length, the dozen pairs; shoes, not exceeding seven inches in length, the dozen pairs. Boot fronts, not exceeding nine inches in height, the dozen pairs; exceeding nine inches in height the dozen pairs. Boot backs, the dozen pairs; cut into shapes, the ewt. Gloves of leather, after the 1st August, 1860: habit mitts, the dozen pairs; habit gloves, the dozen pairs; men's gloves, the dozen pairs; women's gloves or mitts, the dozen pairs.

Any article made of leather, or any manufacture whereof leather is the most valuable part, not otherwise enumerated or described, for every £100 of value.

Considerable reductions were also effected in many of the customs duties, in addition to those given on the wine and spirit duties, in connection with the commercial treaty. The duties on the "dried fruits," maintained for revenue purposes—currants, figs, raisins, and plums*—and on such articles as confectionary, marmalade, preserved ginger, succades, which have since been relinquished, were all reduced. But the most important customs reduction was that on timber. The duty, up to now largely differential in favour of colonial timber†—7s. 6d. a load on foreign, against 1s. a load on colonial—was, at a cost of rather over £400,000, equalised at the colonial rate. The customs, as well as the excise duty on hops, were reduced, the former from 45s. and the latter from 20s. to 15s. The loss on the excise duty was put at about £100,000; but, on the other hand, it was intended that the hop-growers should, by the shortening of the hop credits, contribute pretty smartly to the revenue of the year, while the lowering of the custom duties would tend to greater competition in the trade.

The custom duty on chicory was to be raised, and an excise duty imposed.‡ Home-grown chicory so far had been free from taxation, and imported chicory was lightly taxed; while coffee was heavily burdened, and thus the adulteration of coffee was greatly encouraged.

In the Inland Revenue Department, the duty on game (shooting) certificates was to be transferred from the "taxes" to the "excise," and, at a cost of £10,000, to be reduced.||

* The duty on foreign raisins, ranging in 1815 between 20s. and 42s. a cwt., was reduced in 1834 to 15s., in 1853 to 10s., and now to 7s. The duty on currants—at one time prohibited—had also been reduced by Althorpe from 44s. 4d. to half that amount, by Peel to 15s. 9d., and was now also reduced to 7s. This seven shilling duty is still charged on raisins, currants, figs, plums, and prunes (on the three last named reduced from 15s. to 7s. in 1857). Each reduction of duty has been followed by a striking increase in consumption, and the produce of "dried fruits" now amounts to some half a million a year.

† See I. 343.

‡ The custom duty (originally imposed in 1833) was to be raised to 6s. a cwt., and an excise duty of 3s. (estimated to produce £5,000) imposed. The custom duty was doubled the following year, and the excise raised to 8s. 6d., and then to 11s. In 1863, both custom and excise duty were made equal to that on coffee, namely, 26s. 6d. custom, and 24s. 2d. excise duty. When the duty on coffee was halved in 1872, the chicory duty was proportionately reduced. In 1860, there were some 500 acres of chicory under cultivation, and the estimated revenue from the excise duty was put at £5,000. For a time the cultivation of chicory increased, and in 1867 the excise receipts amounted to as much as £23,000. It soon fell off again, however, and by 1886, with the duty at 12s. 1d., the receipt was only £2,000, while that from the custom duty amounted to £66,000.

|| Game licences were first imposed in 1784 by Pitt at the rate of £2 2s., and

One further considerable proposal was made. The paper duty, often threatened, often condemned, was to be abolished, at a loss for the year of a million. This proposal was, as we shall see, temporarily rejected, and consequently the protective customs duty on paper, instead of being repealed, was merely reduced to the level of the excise duty.

Against all these large remissions of custom and excise duties, the Chancellor of the Exchequer desired to impose, what he tenderly described as "a minute kind of taxation," intended to effect the double purpose of assisting registration, and of producing revenue. The scheme was to levy a registration charge, at the rate of a penny per package (or on goods in bulk, in proportion), upon all articles imported or exported. This penny charge, as at first proposed, was expected to produce some £300,000 a year, but the duty was subsequently somewhat altered, and the estimated yield reduced to about £180,000.* In the result (it may be well at once to anticipate the end of this short-lived statute) these minute duties, while penny foolish, were not found to be pound wise; superfluous for registration purposes, obstruc-

10s. 6d. for each gamekeeper. Various alterations were from time to time made, and, in 1860, the respective duties were £4 0s. 10d. (the 10d. representing Baring's levy of 1840), and £1 7s. 6d. The new license duty of this year was fixed at £3, or £2 if the license were only taken out for a portion of the year, to which, in 1883, a further £1 "occasional licence" was added, available for a fortnight. The gamekeeper's license duty was fixed at £2. The Comms. of I. R. in their Report of 1870, "regret to say that the evasion of this duty is very general, even among those who, from their station in life, should be the first to discountenance such a violation of the law. The penalties attaching to pursuit of game without a certificate are made use of largely to punish poachers, and we have no lack of information against that class of persons; but although we know as a fact that vast numbers of the better classes shoot without certificates, we rarely obtain the evidence necessary for proceedings against them." (p. 66.)

The "game laws," it may be of interest to mention, practically date from 1389, when, in consequence of "artificers, labourers, servants, and grooms" going hunting "when good Christian people were at Church," none possessed of land under 40s. annual value was to be allowed to kill game, "wild animals, hares, or conies." (Howell, iii. p. 269, 283, etc.) In the time of Henry VII. and Henry VIII., a property qualification was also necessary even for the possession of a handgun or cross-bow, and of the "scatter-gun" when it first came into use.

Gradually, in the next three hundred years, the right of sporting was further limited to certain persons of a certain rank or property; and Pitt imposed his tax on those possessing the requisite legal "property qualification." The qualification has disappeared and the duty has remained.

* The alteration made was to change the penny charge on exports into a 1s. 6d. stamp duty on bills of lading outwards, retaining the penny charge on imports. The two charges, when repealed in 1863, were producing together about £190,000 a year. That the system of charge was a somewhat complicated one was shown from the fact that of the thirty-seven clauses in the Customs Act of 1860, no less than twenty were devoted to these charges. See Report of Select Committee appointed to enquire into these charges in 1862 (*P. P.*, 429 of 1862), and the Memorials of Merchants and others on the subject (*P. P.*, 196 of 1861), &c.

tive to trade, and troublesome and costly to pay and to collect, they were, three years later, though manifestly not without a pang, repealed by their author.

A small charge for warehousing goods—to produce £120,000—was also to be imposed, in order to meet the increasing expenses of the improved conveniences and accommodation which had been gradually provided by the Custom House Department in connection with the warehousing system, and which had done much to promote and foster, by legitimately assisting, the import trade of the country.

The stamp duties were again to be partially overhauled. The penny system of taxation, instituted in 1853, and enlarged in 1858, was to be further extended, and a variety of somewhat minute charges, combining the merits of simplicity with production of increased revenue, were to be made.*

One important excise proposal, a social as well as a fiscal change, was the permission given to eating-houses of all descriptions to take out a licence, at a very moderate rate, for the sale of wine or beer. The intention was to encourage the consumption, by facilitating the sale, of the light wines of France (whose introduction was to be so much encouraged by the treaty), and thus to set this less intoxicating drink in competition with the more intoxicating liquors of the public-house. "We look upon it," said Mr. Gladstone, "as a change favourable to sobriety;" as a matter of fact, however, it is very questionable whether the greater freedom thus given to drinking has really tended in the desired direction.†

* The "penny taxation" was extended to notes of sale of foreign and colonial produce, contract notes for stock, &c.; and was further extended in 1864 and 1865 to proxies and voting papers at meetings of joint stock companies, fire policies, &c. A charge of 3*d.* was made on dock warrants. The charge of 2*s.* 6*d.* on agreements was reduced to 6*d.*, but the stamp formerly necessary only in the case of agreements of £20 and upwards was now carried down to agreements of £5. The use of adhesive stamps in lieu of stamped paper was further extended.

† These new licenses (under the 23 Vict. c. 27) were, according to the Inland Revenue Commissioners (Report 1870, C. 82, 1870, p. 60), introduced, "more for the purposes of police than revenue, and with especial reference to a class of houses in London which were kept open after the closing of the licensed publicans. The measure was at the same time intended to promote the sale of wine in accordance with the legislation under the French Treaty, and the policy advocated by Mr. Gladstone in his financial statement. These objects were to be carried out by subjecting to licence and inspection all houses, rooms, &c., kept open for public refreshment, resort, and entertainment, at any time between 10 o'clock p.m. and 5 o'clock a.m., and which were not licensed for the sale of beer, spirits, or wine. Such houses were to be deemed refreshment houses." Any person keeping a shop is also permitted under the Act to take out a licence for the sale of wine in quan-

The total gross loss of revenue from the French Treaty* was estimated at £1,737,000, of which £440,000 would be due to the abolition of the duties on manufactures, and £1,276,000 to the reduction of the duties on wine and on brandy. But the net loss on these latter was not put at more than £740,000, for it was expected that the reduction in price, and the increased facilities given to the trade, would so greatly increase the consumption as to lead to a recovery of revenue of half a million in the year. The net loss by the treaty would thus be about £1,200,000.† The total estimated relief to the consumer from the other tariff reforms was £1,040,000, the net loss to the revenue about £910,000. In addition, there were the proposed reduction of the paper duty and other inland revenue remissions, bringing the estimated total gross relief from taxation for the year to nearly four millions. The net loss, after allowing for increased consumption from the unfettering of trade, of some 40 per cent. on the two millions of duties reduced, was estimated at some three millions on the year. In addition, there would be a gross loss of three-quarters of a million in future years; but the whole of this, it was hoped, would be more than recouped by increased revenue.

The original deficit amounted to £9,400,000. Adding the £3,100,000 of net remissions on the year, a gaping deficiency of twelve and a half millions came into view. The estimated receipts from the imposition of the minor duties, of which we have already spoken, was put at about £900,000.‡ In addition, the remissions and reforms of taxation, which were to be carried over, would enable an immediate saving of nearly £100,000 (besides the estimated saving of £20,000 on paper), to be made on the

titles less than two gallons or one dozen quart bottles, not to be consumed on the premises.

The Lords Committee on Intemperance of 1878 thus reported on the question of these licenses :— . . . “No evidence has been given that the retail of wine under the Refreshment-house and Wine Licence Acts has increased intemperance; on the contrary, it has been urged, with a considerable show of reason, that the operation of those Acts, besides affording much convenience to the public, has had a beneficial effect in encouraging the use of light wines instead of stronger beverages.” (*P. P.* 113 of 1878, p. xlvii.)

See, on the other hand, Messrs. Caine, Hoyle and Burns, in *Local Option*, “Imperial Parliament Series,” p. 35.

* See *Chap. XI.*

† Subsequently—at a loss of revenue of some £170,000—certain alterations in the duty and in drawback were made in the case of the wine duties.

‡ Exactly £896,000—Customs, £510,000, Inland Revenue £386,000. This estimate was afterwards, in consequence of alterations in the dock warrants, &c., reduced to about £600,000 a year.

establishment charges—Customs, £50,000, Inland Revenue, £36,000—with further savings in subsequent years. But even so, the estimated deficit still reached the extraordinary figure of eleven and a half millions.

This enormous void was to be filled by the re-imposition of the tea and sugar duties at the rates of the previous year; by the imposition of an income tax of tenpence in the pound; by still further shortening the "malt credits," and, this time, the "hop credits" as well. The income tax—with three quarters again to be collected in the twelve months—would produce £8,472,000 in the year, together with an additional two millions and a quarter in the following year; the "war" tea and sugar duties, £2,100,000; and the exceptional resources from the shortening of the malt and hop credits, £1,400,000—a total estimated receipt of just on twelve millions in 1860, a sum sufficient to meet the deficit and to produce a surplus of nearly half a million.

The introduction of these large figures is, however, somewhat misleading; and readers of the Budget of 1860 have, like children, to "make believe" very much. The tea and sugar duties, and the income tax, did indeed legally expire in 1860, but it was perfectly clear, before the Budget was introduced, that as so often before, they would have to be re-enacted and re-imposed for another year, at their old rates. In considering the question of the burden of taxation entailed by the Budget, the only real test is to compare the taxation in force in 1860 with that in force in 1859. The extra rate on tea and sugar, and the ninepenny income tax, were in force in 1859. Eliminating these then, it appears that the net remissions proposed in 1860 were estimated to amount to rather over two millions; while the total extra taxation, which it was intended should be imposed, amounted to just over a million. Thus, instead of an actual imposition of an enormous amount of taxation, there was on balance really to be a net remission of about a million.* Against this would be received in the year,

* As follows (in round numbers):—

Remissions	£3,100,000
Impositions	900,000
Net remission	2,200,000
Savings	100,000
	<hr/>
	2,100,000
Income Tax, Extra penny (whole year)	1,060,000
Total net remission about a million.	

from the shortening of the malt and hop credits, some £1,400,000. But this was not taxation in the ordinary sense of the term; it was a burden, indeed, on 1860, but not a demand that could be repeated, nor one that interfered with trade. Even taking it into account, however, the estimated additional taxation on 1860, as compared to 1859, only amounted, as originally proposed, to three or four hundred thousand pounds, which constituted the whole real difference of burden as between the two years.

The actual result of the year was somewhat different. On the one hand, the yield from the shortening of both the malt and the hop credits was considerably less than the estimate; less also than had been expected was received from the "minute" charges; while, in consequence of changes in the Treaty, there was a greater loss on the wine duty. On the other hand, the paper duty was retained, and an increased spirit duty was imposed; and, in the result, the net imposition of taxation on 1860 over 1859 was nearer a quarter than half a million.

"I do not hesitate to say," exclaimed Mr. Gladstone in his Budget speech of 1860—thus laying down one of the most valuable principles of taxation—"that it is a mistake to suppose that the best mode of giving benefit to the labouring classes is simply to operate on (*i.e.*, to free from taxation) the articles consumed by them. If you want to do them the *maximum* of good, you should rather operate on the articles which give them the *maximum* of employment." A large measure of fiscal reforms, and the abolition of numberless duties, complex, uneconomical, restrictive, and vexatious, would, it was clear (by improving trade), benefit the nation at large, and the working classes in particular, much more than the mere remission of the taxes on tea and on sugar, which were to a large extent simply revenue duties. Thus it was right again to re-impose them together with their war burden.

The total abolition of the income tax was quite out of the question; and while its renewed use was partly essential in order to fill up the void, its renewal at a high figure was eminently justifiable on the same ground on which its reimposition in 1842 had been founded—namely, that it alone could furnish the means whereby the tariff could be purged; and by furnishing the means, it would again do much to improve the trade and increase the

wealth of the country.* Bread cast upon those waters would, it was certain—

" . . . come back in many days,
An' buttered, too, for sartin."

Its renewal at a high figure was therefore most legitimate. Not so obviously legitimate, however, was the proposal practically to impose an extra penny for the purpose of abolishing the paper duty; a tax which had no connection with the other fiscal reforms of the year, and which involved the permanent relinquishment of a million and a quarter of revenue, rendering more remote the final extinction of the income tax itself. And, indeed, the question of the extra penny was really wrapped up with the question of the paper duties. The amount of revenue required to enable the paper duty to be remitted would not have sufficed to make an economical reduction in either the tea or the sugar duty, still less in both; thus, the choice lay between leaving the paper duty over until another year, or imposing an extra penny of income tax, in order at once to abolish it.

The paper duty was, no doubt, an abominably bad duty,† and the House itself had, a couple of years before, emphatically condemned it. But there was no such urgency in its case as to entitle it to especial consideration in a year of unusual pressure, and it can scarcely be a matter of surprise that the proposal to repeal it at the expense of the already heavily mulcted income tax-payer, met with the most strenuous opposition—an opposition which grew more pronounced when it became known, as it soon did, that the Prime Minister, from the first lukewarm in the matter, was now actively hostile to the repeal of the duty.||

* Compare Courtney in *Reign of Queen Victoria*, ii. 243-4.

† See *II.* 264.

|| Lord Palmerston, in a letter to the Queen on May 7th, 1860, referring to the small majority by which the House of Commons had passed the third reading of the Paper Duty Bill, wrote:—

"This may probably encourage the House of Lords to throw out the Bill when it comes to their House, and Viscount Palmerston is bound in duty to say, *that, if they do so, they will perform a good public service.*"—(*Prince Consort*, v. 100.)

A Palmerstonian Peer moved the rejection of the Bill in the Lords; and Lord Palmerston, writing to the Queen after its rejection, said that the Lords had "done a right and useful thing." (*Ib.*)

Lord Malmesbury (*Memoirs*, ii. 227) notes that "the real truth"—of certain supposed negotiations between the Opposition and Lord Palmerston—"is that I was deputed by Lord Derby and Disraeli to tell Lady Palmerston that we meant to throw out the Duty on Paper Bill—for which *she* thanked us." See also Count Vitzthum's *Reminiscences* (ii. 72) on the point, &c.

As the session wore on, moreover, it became evident that the expenditure of the year would be greater than had been expected, and it was felt that the revenue derived from the duty should not lightly be relinquished. Hence, while the Commercial Treaty and the other Budget proposals were very favourably received, the support accorded to the Paper Duty Abolition Bill gradually dwindled as the Bill made its way through the House, and the majority of fifty-three obtained on the second reading fell to nine on the third reading.

By the time that the Repeal Bill went up to the Lords in May—it had been introduced into the Lower House in February—the financial position was known to have considerably changed for the worse. Certain alterations in the original Budget proposals, and an under-estimate of the cost of collection, had made away with the estimated surplus. It was by this time known, also, that the Government intended immediately to act on the Report of a Royal Commission appointed the previous year, which had recommended the expenditure of a very considerable sum of money on strengthening the national defences. Then, as ill fortune would have it, on the very day that the debate on the Bill took place in the House of Lords, news arrived that the peaceful expedition to China had turned into an invasion, necessarily involving a vastly increased cost.* The Government were forced to admit in the course of the debate that, when the Budget was introduced, “they did not know whether we should have war with China or not. . . . It is a fact,” Lord Granville told the House, “that up to ten minutes ago the Government had continued to be—and necessarily so—ignorant whether there was war or peace.” Taking all these circumstances into consideration, it must be confessed that financially the House of Lords were in the right, though constitutionally they were probably in the wrong, in rejecting the Paper Duty Abolition Bill.

The rejection raised, in a new form, the constitutional question of the rights of the House of Lords to interfere in matters of taxation. It was fully acknowledged on either hand that the Upper House had no power to initiate or to amend a money Bill, but only power to accept or reject it. The argument turned en-

* Second reading, House of Lords, *H.*, May 21st. In July a vote of credit to the amount of £3,300,000 was asked for.

tirely on whether or no the Lords had a right to reject a Bill which proposed to remit taxation, that is to say, whether such rejection was, or was not, tantamount to an imposition of taxation. The defenders of the Lords contended that they were only rejecting a money Bill, their opponents, with more show of reason, contended that the tax, having been practically repealed by the Commons, was practically reimposed by the Lords.*

The verdict of the Commons ultimately was, "not guilty; but don't do it again."† They allowed the Lords to have their own way on this occasion, but unanimously adopted a series of resolutions, which, as Mr. Gladstone said, "contained a mild and temperate, but firm declaration of the rights of the House of Commons," and which were intended to guard these rights in the future.‡ In 1861 action followed words; and in order to prevent the Upper House from rejecting a portion unless it repealed the whole of the Budget scheme, all the financial proposals of the

* One newspaper for a long time headed its issue with a statement of the proportionate taxation which was daily being levied on the country on the sole authority of the House of Lords.

† The Select Committee on Tax Bills, appointed to search for precedents, in a lengthy Report, recounted their search, but "refrained from offering any opinion and from making any comments," and rejected all the proposals made by individual members of the Committee to insert controversial matter in the Report. One amendment, proposed by the Chancellor of the Exchequer, and supported by Lord Palmerston and Lord J. Russell, to add the words, "not one of the Bills rejected or thrown out in the House of Lords appears to have had for its object the repeal of any tax constituting a large branch of the revenue or imposing a burden of sensible amount," was rejected by 7 to 9. Amendments proposed by Mr. Bright and others were also rejected (*P. P.* 414 of 1860).

‡ The resolutions adopted (*H.*, July 6th, 1860) were in substance as follows:—

(i.) That the right of granting supplies rests in the Commons alone, and that they alone have power over the matter, manner, measure, and time of them. (ii.) That though the Lords have exercised the power of rejecting tax bills by negating the whole, yet such an exercise of power is justly regarded by the Commons with peculiar jealousy as affecting their right of granting the supplies. (iii.) That in order to guard against the undue exercise of their power by the Lords, and to secure to the Commons their rightful control over taxation and supply, the Commons have in their own hands the power so to impose and remit taxes that their right as to matter, manner, measure, and time may be maintained inviolate. Compare *May's Constitutional History*, ii. 105—112; Sheldon Amos, *English Constitution*, chap. ii., &c.

Lord Palmerston, as may well be supposed, was not particularly anxious to censure the Lords for playing his game so well. "Lord John," says Lord Malmesbury (ii. 228), "threatens to resign if the Reform Bill is not proceeded with, and Gladstone makes the same threat unless the Government propose a resolution to censure the House of Lords. In this critical state of public affairs, Lord Derby had desired me to go to Lady Palmerston and assure her of the support of our whole party against the Radicals!" Lord Derby described Lord Palmerston's speech in moving the Resolutions as the "best bit of tight-rope dancing he ever saw." See also Vitzthum, ii. 72, &c.

year were included in one Bill; thus forcing the Peers to take it all in all, or not at all. A proposal that the Government, after defeating by a narrow majority a motion directed against the repeal of the paper duty, carried without a division.* Fortunately, in 1861, the state of the finances permitted the Chancellor of the Exchequer to combine a simultaneous reduction of a penny in the income tax with the repeal of the paper duties, and thus the way was made easy for the Lords to pass the Bill, and back gracefully out of the dispute.

After the rejection of the Paper Duty Bill, the Chancellor of the Exchequer, in accordance with the terms of the Commercial Treaty, introduced a Bill to reduce the protective customs duties on paper to an amount equivalent to the excise duty. For the last time in debate the principle of Protection was openly advocated; and the Bill was opposed on the ground that the trade of the paper-makers would be destroyed by the competition of foreign paper. The Opposition attempted, moreover, to utilise the occasion for the infliction of a defeat on the Government, that would entail the resignation of the Chancellor of the Exchequer—a design that was frustrated by a majority of thirty-three.†

The financial statement of 1860 was a masterly exposition of a masterly conception. The only financial speech with which it can be compared is Mr. Gladstone's own Budget speech of 1853. That of '60 contained perhaps no such close-reasoned argument as the passage in that of '53, in which the income tax is discussed; but, on the other hand, the exposition of the results which would spring from the French treaty surpassed in its wealth of eloquence and mastery of detail ‡ any passage contained in the speech of seven years before.

If actual comparison be made between the two Budgets, that

* *H.*, May 2nd and May 16th, 1861. The motion of May 2nd was to the effect that the tea duty be imposed at 1s. instead of 1s. 5d. The voting was 281 for, 299 against.

† See Molesworth's *History of England*, iii. 238. The voting was 266 to 233.

‡ I have heard an anecdote which illustrates this, as well as other aspects of Mr. Gladstone's mind. Someone told him a story of an exceedingly deaf old lady, who had lately been overheard vehemently protesting to the Custom House officials at Dover her innocence of any contraband articles, the while a musical-box was plaintively performing "Home, Sweet Home" beneath the flounces of her dress. Mr. Gladstone heard the story out with compressed lips and flashing eyes. "And this occurred, you say, last year? It is impossible, monstrously impossible. I myself abolished the duty on musical-boxes, in the year 1860." The story, if not true, is at least well found.

of 1860 must be pronounced to have been in its results considerably the more successful of the two. In both cases the fiscal reforms were eminently successful. But, putting them aside, the other chief financial proposals of 1853—the seven years' scheme for the abolition of the income tax, and the reduction of the duties on tea and sugar; the expected yield of the succession duty, as well as the scheme for the reduction of the interest on the debt—all more or less failed of their object. On the other hand, the Budget proposals of 1860 were completely successful. The paper duty indeed survived that year, but disappeared the next, and all the other proposals were carried through, while the fiscal, financial, and commercial results which sprang from them not only came up to but far surpassed expectation.

No criticism on the Budget of 1860 would, however, be complete without a reference to the mode in which the question of the reduction of debt was treated. In 1857, when in opposition, Mr. Gladstone had strenuously opposed the payment of special war debt, and had proposed instead the reduction of special war taxes. Now, in office, he practically suspended the repayment of debt by the absorption of the revenue hitherto applied by means of terminable annuities to that purpose.

In 1857 and 1858 the repayment of the special war debt had been postponed on the ground that the maintenance of taxation for that object would interfere with the "compact" of 1853. No such plea could now be urged, for the Chancellor of the Exchequer, though ceasing to pay off debt, was not repealing the income tax. The argument—not indeed that the Chancellor of the Exchequer seemed to think apology or argument necessary—in 1860 was, that the revenue, thus set free, would be utilised for the purpose of carrying out a systematic reform of the tariff.

For this policy there was much to be said. So long as the springs of industry can really be relieved, so long as there exist a protective, vexatious, or cramping tariff, revenue can be more profitably employed in fiscal reform than in the mere "purchase of Consols at 92." Every judicious reduction of taxation, moreover, is no doubt in one way diminution of debt, for the money does, in the true sense of the term, fructify in the pockets of the people; while such reductions will often in the end not injure but

actually benefit the revenue. But it seems to me that Mr. Gladstone carried this principle somewhat too far in his earlier years, and that later he made but tardy and inadequate amends. I certainly am not contending that the whole of the money in '59 and '60 diverted from the uses to which up to then it had been put, should have been immediately re-applied to the reduction of debt. It would have been difficult or impossible at that time to have re-issued the whole of the two millions of terminable annuities, while by his own proceedings in 1857 and 1858, Mr. Gladstone had made it impossible to propose to apply a specific annual sum to the reduction of debt in the form of a sinking fund. And there were many profitable fiscal and financial reforms to be effected in 1860, which would rightly take precedence of the mere reduction of debt. But during the whole of the period of his financial administration, Mr. Gladstone preserved no proportion at all between the specific reduction of debt and the actual remission of taxation. Every available surplus went to reduction of taxation, nothing to extinction of debt; and long after the period of actual fiscal reform was passed, reduction of taxation followed reduction; and, until 1866—when a further half million was offered—only a beggarly two hundred thousand pounds a year had been applied to the purposes of the debt,* though ten times that sum had since 1860 been diverted from that purpose.

What was Mr. Gladstone's course of action in 1860? He did not meet but he renewed (*i.e.*, he re-borrowed) a million of Crimean war debt which, in the form of Exchequer Bonds, fell due in that year. He laid hold of, and applied to the ordinary purposes of the year, an annual sum of over two millions which for many years, in the form of terminable annuities, had formed part of the ordinary charge for the debt, and the whole of which, in 1860, practically represented reduction of capital liabilities. He absorbed (in 1859 and 1860) for the same purposes, half a million of money received from Spain, which, being simply repayment of an old debt, should certainly have gone to the reduction of an equivalent amount of outstanding obligations. Again, he absorbed £1,400,000 (as well as the £850,000 in 1859) received from the shortening of the malt and hop credits, money which, being practically in the nature of a repayment by the

* See II. 23.

maltsters and hop growers of capital advanced them by the State, ought in strictness to have gone to the reduction of debt.* Moreover, by the reimposition of the war duties on tea and sugar, and the levy of a very high income tax, while freely remitting other taxation, he practically pledged the country to the primary relief of these duties, rather than to the further extinction of debt.

The result of this policy was what might have been expected. The average reduction of debt during the three years 1857 to 1859 inclusive, had amounted to nearly £4,400,000 a year. In the year 1860 the debt actually increased by £850,000, while during 1861 there was neither increase nor decrease; an average increase of debt, on the two years, of £425,000.† Such a shock did the policy thus inaugurated give to the time-honoured custom of annually applying considerable sums to repayment as well as for interest and management of the debt, that it took nearly twenty years to bring up the annual sum specifically applied to debt (exclusive of realized surpluses) to that which had been cheerfully voted in the years previous to 1860.

In 1858 the debt charge had amounted to £28,500,000, in 1860 it was reduced to £26,200,000. In 1866, in consequence of the falling in of some further annuities it was but £26,000,000. From that time until 1874 the permanent debt charge was gradually increased up to £27,000,000. It was then rapidly increased, and by 1878 had reached £28,000,000. At between twenty-eight and twenty-nine millions it remained until 1887, when the policy of reduction of debt received another severe shock by an unfortunate repetition of the proceeding of 1860—a repetition without any of the excuse. In 1860 there was a large deficit, in 1887 there was a surplus; in 1860 the revenue absorbed was applied to the purpose of fiscal reform, in 1887 there was simple reduction of the income tax. If the proceeding of 1860 formed a bad precedent, that of 1887 formed a far worse one.

* The £1,400,000 is the estimated amount; as a matter of fact, only £778,000 was received in the year. See *I.* 260.

† See Debt table, *Appendix D.* The heavy expenditure incurred on account of the Chinese war during 1860 and 1861 should perhaps be taken into account. But the total amount thus spent only came to four and a-half millions, against which, moreover, there were receipts from exceptional resources. And similarly, in the three previous years, there had been a considerable war expenditure.

CHAPTER XI.

THE COMMERCIAL TREATY.

1860.

IN 1786, when Pitt negotiated his Commercial Treaty, the fiscal relations between England and "that sweet enemy, France," had long been on a very unsatisfactory footing.* Sometimes there was mutual concession, sometimes a war of tariffs. At one time Free Trade almost prevailed, at another almost absolute Protection was enforced.†

The object of Pitt's Treaty was twofold. (Not only were commercial relations to be improved, but the "good harmony" between the two countries was to be "consolidated.") In introducing the Treaty to the House, Pitt vehemently protested "against the too frequently advanced doctrine, that France was, and must be, the unalterable enemy of Great Britain." "His mind," he said, "revolted from this position as monstrous and impossible. To suppose that any nation could be unalterably the enemy of another, was weak and childish."‡ And it will ever be remembered to the discredit of the Whigs of those days that they, as vehemently, opposed the Treaty on this very ground.

* In 1713, along with the Treaty of Peace, the Government had agreed to abolish the discriminating duties then in force against France. But the friends of the "Methuen Treaty" rallied to its defence, and the proposal was defeated. (See Mahon, i. 50, 51.)

Parnell (*Treatise*, p. 75) states that the protective system was first introduced by Colbert in 1667 against the manufactures of Holland, then the great manufacturing country. England soon followed the example of France. See also McCulloch's *Essay on Commerce of Holland*, p. 35.

† See especially for the general history of this or other commercial treaties, Stanhope's, Tomline's, and Gifford's *Lives of Pitt*; Levi's *History of Commerce*; Adam Smith; McCulloch's *Com. Dict.*; Porter; Dowell; Tooke; Montgredien's *History of the Free Trade Movement*; Morley's *Cobden*; Ashworth's *Cobden and the League*; Lecky's, Mahon's, Molesworth's, McCarthy's, Walpole's *History*; Farrar's *Free Trade and Fair Trade*; Pitt's *Speeches*; Evidence of J. D. Hume and Porter before Import Committee of 1840; Hansard galore, and Parliamentary Papers, &c., &c.

‡ *H.*, Feb. 12, 1787.

"France," cried Fox, "was the natural foe of Great Britain." Hers would be all the gain, ours all the loss by the Treaty—"a bait which none but gudgeons the most simple would have bitten at." Francis, Burke, and Grey—in his maiden speech—followed in the same strain.

Others contended that it was impolitic "to seek a foreign market, which was always uncertain, while we possessed a regular home consumption." But each country, argued Pitt, had "its own and distinct staple. Each had that which the other wanted; and, not clashing in the great and leading lines of their respective riches, . . . they might enter into a traffick which would prove mutually beneficial to them." Not only so; but if it were a matter of balancing gains, while France obtained access to a market of eight millions of persons, England obtained access to one of twenty-four. "We ought not to hesitate, because this, which must be so greatly advantageous to us, must also have its benefit for the French."

The Treaty would "cause an average reduction of £50 per cent. on every French article in our book of rates." Neither country was to charge more than from 10 to 12 per cent. on manufactures of cotton, woollen, earthenware, glass, hardware, cutlery, iron, brass, steel, copper, &c. The import of silk and some other articles were, however, still prohibited on either side. The duties on French wine and brandy, oil and vinegar—the "luxuries of France that the refinement of ourselves had converted into necessities"—were to be reduced. Nor would the revenue suffer from these reductions; "increase by means of reduction," Pitt was obliged to confess, "appeared once a paradox, but experience had convinced him that it was more than practicable." Any bounty given on either side might be met by a countervailing duty. Passports were to be abolished, and each side agreed not "to receive any pirates or sea-rovers" into their ports, but to see that they were "brought to condign punishment."

On these enlightened lines did Pitt, anticipating the wisdom and the arguments of 1860, negotiate the Commercial Treaty of 1786. The House of Commons ratified the Treaty by a vote of 236 to 116, and the House of Lords by one of 81 to 35. But the Treaty was not of long duration. The French Revolution

came and swept it away; and though the Constituent Assembly re-constructed the fiscal system on a "wise and liberal" basis,* mutual suspicion and enmity soon led to suspension of fiscal relations, to prohibition and to proscription.

The Restoration in France was followed, not by any relaxation, but (especially in 1822 and 1826) by even stricter prohibitions of British goods. In 1836 a slight relaxation was made; but, in 1842, and the next few years, as a counterblast to the relaxation of the English tariff, France strengthened her fiscal barricades, especially against England. Indeed, from 1814 to 1848 the tariff was, on the whole, "more rigorous, more exclusive, more opposed to liberty" than that of the First Empire.†

Under the Second Empire, gradual reductions and ameliorations were begun, even before 1860. In 1853, and especially in 1856, some prohibitions were removed, and many reductions made, while most of the duties on exports were abolished.‡ Yet still, so far was France behind England in the matter of freedom of tariff, that, in the year of grace 1861, even after the Treaty had come into force, the general scale of duties charged on the import of English manufactured goods was higher than that charged by England on French imports nearly forty years before.||

In 1860, many of the staple industries of British commerce and manufacture were still absolutely prohibited by France, and most of those which were not thus prohibited were heavily taxed, in many cases to such a degree as almost to amount to prohibition. Iron of most descriptions—pig, puddled, and forged—was prohibited, as well as most forms of cutlery and other metal wares. In the same category were most descriptions of manufactures of cotton, wool and leather; some descriptions of silk and hair,

* Tooke, v. 471.

† M. M. Chevalier, quoted by Tooke, v. 472.

‡ *P. P.* 131 of 1858, and [2611] 1860, &c.

|| In the "instructions" to Mr. Cobden and Lord Cowley in 1860, the Foreign Office thus summed up the difference between the then existing French and English tariffs:—

"The rule of the French tariff is high duty, in general, with a large measure of absolute prohibition.

"The rule of the British tariff is low duty, in general, with a large number of articles absolutely free; and likewise, with a small number of most important exceptions, of articles upon which high duties are imposed for fiscal purposes." (C. 3050, p. 3.)

glass and earthenware; together with ships, soap, and sugar.* Bar iron was charged from 54 to 79 per cent. on its value. "Unprohibited" manufactures of various kinds were charged with duties ranging from 2 up to as much as 268 per cent. of their value. Not only were the duties enormous, but they were variable and arbitrary, and subject to constant alteration, to the great detriment of trade, which, next to liberty, loves certainty.

Under the influence of the prohibitive and protective tariff of France, and in spite of the vast extension of the means of communication, commercial intercourse between the two countries, and their mutual trade, had greatly languished. In 1841 England had sent to France over a million pounds worth of linen and linen yarns—to which in ten years, under more liberal treatment, it had increased from £9,350. But increased duties had by 1858 reduced the amount to £150,000. In 1839 the total export of manufactures to France was £2,000,000, by 1858 it was under £700,000.†

The British exports (including re-exports) to France amounted, in 1858, to but nine millions and a quarter sterling, while Holland and Belgium received from us goods to the value of some twelve and a quarter millions. The total British export of goods in 1858 (mostly manufactures) amounted to £140,000,000. Yet the whole of the manufactured goods sent to France in that year were only valued at £670,000—of which £200,000 represented cashmere shawls, not made in England, and £200,000 machinery—nearly the whole of the rest of the exports to France consisting of raw materials, and nearly half (£4,400,000) consisting of foreign or colonial goods simply passing through England and re-exported to France.

Between 1851 and 1860 the exports from England to France averaged about 8½ millions (of which nearly half were simple re-exports) and the imports into England from France averaged

* See [2611] 1860. So comprehensively prohibitory were the French duties, that, at the Paris Exhibition of 1855, a large number of the English goods exhibited could not be put up for sale, having been admitted into the country merely as specimens of manufacture.

† See Porter's evidence (p. 185) before Import Committee, 1840, &c.; *Progress of the Nation*, p. 366, &c.; Budget speech, 1860. The exports of 1858 were somewhat less than those of the three previous years; but the exports of those years were disturbed and increased by the Crimean war and other causes. The exports in 1854 were only £6,400,000.

some 11½ millions—a total trade, excluding re-exports, of under twenty millions, between seventy millions of people.*

A Commercial Treaty would, in all probability, some time or other, have been brought about; but its negotiation in 1860 was really due to a lucky chance, to the meeting of two men, M. Chevalier and Mr. Cobden, during the previous summer. The original vague suggestion was doubtless that of M. Chevalier, but the real conception and actual consummation were almost entirely the work of Mr. Cobden.† The negotiations were begun in the most informal manner. Mr. Cobden, on his own initiation, though with the cognisance of the English Foreign Office, sounded the French Ministers, and the Emperor himself, as to their willingness to meet the British Government in a reciprocal spirit. And when it appeared that the Emperor and some of his Ministers were favourably inclined, Mr. Cobden and the English Ambassador were formally appointed as the British Plenipotentiaries to negotiate the Treaty.‡ The task was no light one. Obstacles

* See a speech of Mr. Chamberlain's (then President of the Board of Trade) delivered in the House of Commons on August 12, 1881; republished with additions.

† It was "during the autumn of 1859 that Mr. Cobden broached his conception of a commercial treaty with France, and obtained such encouragement from members of the Cabinet as warranted his entering into informal communications with the Emperor." (Mr. Gladstone in *Historical Review*, April, 1887.) See Morley's *Cobden*, ii. chap. 11.

‡ Lord Palmerston, when he formed his government in 1859, had offered Cobden the office of President of the Board of Trade with a seat in the Cabinet, an offer which Cobden would very much have liked to accept, thinking that, at the Board of Trade, he would, as he said, be "the square peg in the square hole." But he did not see his way to take office under Lord Palmerston. He "very frankly" said to Lord Palmerston himself, that while he had no personal feelings in the matter, "for the last twelve years I have been the systematic and constant assailant of the principle on which your foreign policy has been carried on. I believed you to be warlike, intermeddling, and quarrelsome, and that your policy was calculated to embroil us with foreign nations. At the same time I have expressed a general want of confidence in your domestic politics." Lord Palmerston met his objections by the very strong argument—an argument which forcibly illustrates the impotency of Parliament and the People in the maintenance of peace or the making of war—that as questions of foreign policy were now uppermost, and as those questions are in the hands of the Executive, it was only by joining the Government that I could influence them. "You and your friends complain," he said to Cobden, "of a secret diplomacy, and that wars are entered into without consulting the people. Now it is in the Cabinet alone that questions of foreign policy are settled. We never consult Parliament till after they are settled. If, therefore, you wish to have a voice in those questions, you can only do so in the Cabinet." See Morley's *Life of Cobden*, ii. 230, 231.

If Cobden had accepted Lord Palmerston's offer, he would assuredly have left the Cabinet ("I should be certain to run away," as he said) within a few months on the fortification scheme if not on the first navy estimates. As a member of the Government he would probably not have been in the same position to suggest or to negotiate the French Treaty.

were thrown in their way by the Foreign Office.* Lord Palmerston's warlike utterances seriously enhanced the difficulties of the friendly negotiations. The French representatives, who became more timid as the matter assumed a more definite aspect, were constantly threatening to draw back. It was no light task to "educate" the Emperor and his advisers, and to meet the manifold objections brought forward by the French protectionists. Yet Mr. Cobden, at the cost of health and comfort, steadily pursued his end, through discouragement, anxiety, and disappointment, which, had the matter been merely a commercial one, might have been sufficient to cause him to throw up his task in disgust.† But Cobden felt, as Pitt, Huskisson, and Peel had felt before him, that increased commerce and intercourse between the two countries would, by rendering them mutually dependent, by knitting together their mutual interests, and by increasing their mutual goodwill, greatly make for peace.

How far this has been so who can say? But it stands to reason, that the greater the trade between nations the greater the mutual injury that war will inevitably cause, and the heavier the recognizances in which they are bound over to keep the peace. Certain it is, that, since 1860, our relations with France have not been strained as before that date they had often been; and panic fears of France have almost ceased to take their place among the causes of extraordinary military or naval expenditure.

On the side of France, that is, of the Emperor, for he, after all, was the real negotiator, the negotiations were entered into as a matter of high policy. The Emperor had perhaps a superficial belief in the principles of free trade, and at least realised, that while the French manufactures would not be worse off under restricted than under unrestricted protection, the general trade of the country would be improved; and increased commercial prosperity would naturally strengthen his hold over the people. But, if this had been the sole actuating motive, he would hardly

* It was Mr. Cobden's strong opinion that he did not receive from the Home Government and its officials the full confidence and support to which he was entitled in the situation in which he was placed. "When I filled," wrote he, "the post of commercial traveller, at the age of twenty, I was entrusted with more discretionary power than is now shared by Lord Cowley and myself whilst filling the office of Her Majesty's Plenipotentiaries." Ashworth's *Cobden and the League*, p. 248; see Mr. Slagg's article in the *Fortnightly Review* for March, 1877.

† See Morley's *Life of Cobden*, vol. ii.; Ashworth's *Cobden and the League*, &c.

have braved the unpopularity which the Treaty was certain to cause among his protectionist subjects. While Cobden firmly believed in the pacific influences of the Treaty, the Emperor, if not quite so sanguine, at least hoped that its negotiation would make the people of England think that he truly desired peace.

Thus, not merely fiscal, but political considerations were in the minds of the active promoters of the Treaty on either side. Naturally, therefore, it was a matter of deep concern to both, when, in the middle of the negotiations, Lord Palmerston—who believed that fortifications were better than free trade, and extended armaments more likely than commercial treaties to ensure peace*—demanded from Parliament unlimited credit, with a view of putting England in a state of defence against “our immediate neighbours across the Channel.” The two Governments stood, as Mr. Gladstone has since put it, “like the builders of the Second Temple, grasping their tools with one hand and the sword with the other.”† All the pacific hopes that had been springing up were thus seemingly confounded, and the lie was directly given to Mr. Cobden’s professions.

This was the painful aspect of the proceedings. The humour of the situation was supplied by the spectacle of the champion of unrestricted competition, negotiating a treaty of commerce which would, in some respects, tie England’s hands in fiscal matters for ten years to come; of the great advocate of liberty and representative Government, “conspiring” with the Emperor of the French secretly to negotiate a Treaty which he knew, and which everyone knew, had not the ghost of a chance of popular ratification.‡ Mr. Cobden defended his direct relations with the Emperor on the ground that the end justified the means; those tools must be used that come to hand. He even went so far as to argue that,

* See *H.*, July 7, 1862. Lord Palmerston and Mr. Cobden profoundly misunderstood one another. Cobden could not realise Palmerston’s absolute belief that by great expenditure of money England could alone be made safe from attack; Palmerston could not realise Cobden’s earnest belief that all this war expenditure would be more likely to lead to war than to maintain peace. Lord Palmerston, Mr. Cobden asserted, was possessed by a “fanciful and excited imagination.” Mr. Cobden, said Lord Palmerston, “is in a state of blindness and delusion which renders him utterly unfit to be listened to by the country as an adviser in matters of this sort.”

† *Hist. Review*, April, 1887.

‡ Cobden himself said, “It would hardly be possible to assemble five hundred persons together (in France) by any process of selection, and not find nine-tenths of them at least in favour of the present restrictive system.” (*Life*, ii. 265.)

as a matter of fact, the Emperor, elected by universal suffrage to legislate for them, was the real representative of the whole French people, and especially the representative of the unprotected masses against the protected classes.

The argument that the Treaty was opposed to the principle of freedom of trade is a very much more important question; and one that without doubt may fairly be urged against this, as well as against every other commercial treaty. Any commercial treaty must, to a certain extent, constitute a fiscal restriction, and, to that extent, must be contrary to the principle of free trade. But it is equally true that half a loaf is better than no bread, and that a policy of opportunism is often the most likely ultimately to lead to the attainment of the object in view. So, in the present case, if France and other nations had been as convinced as England was of the advantages to be derived from freedom of trade, there would have been no necessity for commercial treaties at all, and each country would have acted as was best for the common interest. But that day was not and is not yet. And, at least, the Treaty made a breach in the wall of French Protection, and did much to promote that freedom of intercourse which is of the essence of free trade; while, for a fixed period, it gave to the commerce between the two countries the security and stability which it so sorely needed, and which, on almost any terms, is desirable in the interests of trade.

It was, moreover, certain that, except by means of a diplomatic act, which only the Emperor himself had power to decree, there was absolutely no means of arriving at any fiscal arrangement with France, or of obtaining any relaxation of the French tariff. Naturally the Emperor was averse to the exercise of arbitrary power, unless, by means of a specific treaty, he could demonstrate to his subjects, that if they were conceding something, at least they were gaining as much or more for themselves.

The old commercial idea*—to which Pitt's Treaty had been a

* The earliest treaties were chiefly made with a view to the protection and security of the persons and property of the subjects of the two contracting parties when residing, travelling or trading in the country of the other; and such treaties date back as early as the fourteenth century, not to speak of parallels in the history of Republican Greece. Gradually this mere security of person and property was made to include the larger field of commercial interests. "Commerce" usually means international trade; "trade" internal business.

brilliant exception—founded on the theory of the “balance of trade,” was that fiscal concessions were an injury, and not a benefit, to the nation conceding them; that the profit of one party to an exchange was the loss of another; that a commercial advantage to one country implied a commercial injury to another.* So long as the idea prevailed that the commercial prosperity of one nation could only be gained at the expense of another; and that treaties were founded on the basis that international concession of necessity involved a loss to the conceder, they were more likely to retard progress and lead to friction and dispute, than to promote trade and friendship. When, in 1822 and 1825, the severity of the navigation laws had been somewhat relaxed, England had negotiated treaties with several other countries—among others with France, in 1826. But these treaties were mostly mere reciprocity or “most favoured nation” treaties, and did not, like that of 1860, contain a detailed tariff drawn up for the advantage of either side. The old view of international commercial relations prevailed even up to a late period; and, while the very term “Commercial Treaty” had fallen into disrepute among free-traders and economists, any treaty unless founded on the old lines was considered by the protectionists and prohibitionists as suicidal and Quixotic.

The Treaty of 1860, in this, as in other respects, marked a new point of departure. Fifty years earlier Huskisson—more enlightened than his contemporaries—had laid it down that “the true principle of commerce is the interchange of reciprocal and equivalent benefit . . . it is not in the nature of commerce to enrich one party at the expense of the other.”† And it was on

* “The idea of conducting a negotiation of this sort,” says McCulloch, “on a fair principle of reciprocity is of very late origin; success in circumventing, in over-reaching, or in extorting from fear or ignorance some oppressive, but at the same time worthless privilege, was long esteemed the only proof of superior talent in negotiators” (p. 545 of his comments on Adam Smith, ed. 1872.) Commercial treaties were, says Parnell, “extorted by force or cunning.”

Everyone remembers Canning’s old jingle :—

“In matters of commerce the fault of the Dutch
Is giving too little, and asking too much,
With equal advantage the French are content,
So we’ll clap on Dutch bottoms a twenty per cent.
Twenty per cent.,
Twenty per cent.,
Nous frapperons Falck avec twenty per cent.”

† Pamphlet on *Currency*, 1810. “Commerce,” says Mill, “is virtually a mode of cheapening production.” (*Principles of P. E.*, B. iii., c. xvii., sec. 4.)

these lines that the Treaty of 1860 was negotiated. True, the Treaty was founded on a system of "reciprocity;" but it was reciprocity in the best sense of the word—mutual benefit, not mutual injury—reciprocity in reducing, not in raising, duties.* As far as England was concerned, no exclusive privileges were given to any nation, or to any class. That which was given to France was given to all other nations; that which was exacted from her would be exacted from all.

In reference to one article only—wine—did England really tie her hands, accept a condition intended for the peculiar benefit of France, and give a preference by way of reduction which she would otherwise for the moment probably have withheld. But wine had, rightly or wrongly, since the days of Pitt, and has again more than once since 1860, been looked upon and used as a special instrument of commercial negotiation. With this one doubtful exception, England made no concession in the sense of sacrifice; she conceded no rights which it was to her interest to exercise, and made no agreement which was inconsistent with the free-trade policy that she had embraced. She retained full liberty of further reducing any of her existing duties; she only pledged herself not to impose or to raise any import duty except for revenue purposes, and then only along with the imposition of a simultaneous and equivalent excise duty. At the same time, the negotiation of the Treaty not only diminished impediments to commerce on the side of France, but gave an opportunity that might not otherwise easily have arisen, of finally sweeping away the last remaining protective and differential customs duties in the English tariff, and of placing the whole fiscal system of England for the first time absolutely on a free-trade basis.†

To have refused, on the ground of free trade principles, to have any part or lot in a commercial treaty negotiated under such circumstances, and producing such advantages—improved friendly

* In 1822 the Prussian Minister at the Court of St. James's, in discussing the question of the navigation laws, had truly declared, "that reciprocal commercial restrictions were reciprocal nuisances," and that instead of "reciprocal prohibitions there should be reciprocal facilities."

† There is considerable point, however, in Mr. Courtney's remark, speaking of the Commercial Treaty of 1861, that "it must be recognised that this making the reduction or abolition of customs duties a matter of bargain has had prejudicial after-consequences in strengthening the delusion that protective duties are a source of gain, and their abolition a sacrifice." *Reign of Queen Victoria*, i. 344.

relations with France, reduction in her import duties, and the final adoption of free trade by England herself,—would merely have served to show to its enemies that, like Young Honeywood's philosophy, free trade was a "good horse in the stable, but an arrant jade on a journey." Fortunately, however, Cobden was a practical man.

The Treaty fully justified its existence, and the rapid and vast expansion of trade which it inaugurated, showed how detrimental had been the old restrictive system of our neighbour, and proved the truth of Huskisson's axiom, that "by being liberal to other countries we best consult the interests of our own."* Nor was this all. Free trade has not, indeed, been adopted by other nations, but the negotiation of the French Commercial Treaty set a good example. Treaty has followed treaty, not only between England and other nations, but between those nations themselves, until Europe, and most of the world, is covered with a network of fiscal agreements.† These, and especially the extension of the "most favoured nation" system‡—by which an international advantage given to one is given to all—if they have not indeed brought free trade, or even made for free trade, have had a lasting effect in lowering custom tariffs, and in encouraging international trade. Such an impulse has been thereby given to trade, that even the tendency to increase protective duties which has of late manifested itself abroad, has not succeeded in counteracting the improvement that took place in the years immediately succeeding 1860 in the fiscal system of the world.||

* *Speeches*, ii. 259.

† Treaties on the lines of that of 1860 were made by England with Austria in 1865, 1868, and 1869; Belgium, 1861, 1862; Hanover, 1861; Germany generally, 1865; Italy, 1863, 1867, 1883; Spain, 1886; Turkey, 1861; Greece, 1864, 1887; China, 1860 (after the war); Japan, 1864, 1866, 1868; and some minor States. France, during the few years immediately succeeding 1860, negotiated treaties with several European states. See Levi, pp. 408 and 511.

‡ This term, which so often occurs in commercial treaties, may be explained to mean that any fiscal privilege or advantage, any reduction or remission of duty, granted by one contracting nation to any other must be equally and simultaneously extended to the contracting nation; and that no restriction or additional duty can be applied to the country to which the "most favoured nation" treatment has been granted unless it be applied universally.

|| See Morley's *Cobden*, ii. 338-40.

Sir Thomas Farrer, in his *Free Trade v. Fair Trade*, gives (pp. 310-19) a table compiled from three Parliamentary returns (*P. P.* 200 and 218 of 1879 and 333 of 1881), which shows, in a very clear form, the duties charged by different countries

The Treaty met with considerable opposition. It was argued by some that French wines would bring with them French morals. Others contended that the free export of coal and of iron—"the daily bread of all industries," as Cobden once described them to the Emperor—would seriously injure both the commercial position and the material safety of the country.* The Treaty was opposed, naturally, by those who still looked lovingly on protection or isolation. It was opposed by the "immoderate and unmanageable free traders," many of whom were filled with that zeal which comes from recent conversion. It was opposed by those who sincerely believed that France was "doing" England—she getting all the gain, we all the loss.† It was opposed, too, by those who still hankered after and believed in the old idea that all concessions in commercial treaties were injurious.

and possessions on English goods. He states also (pp. 55-66) that between 1859 and 1881, with the exception of the United States, "no foreign country had raised its duties to a point as high as that at which they then stood," while "several European countries have, till recently, gone on continually reducing their duties"—some of them having made very large aggregate reductions. Since 1881 there has, indeed, been a tendency towards increased protective duties, yet the general European fiscal position is—with the exception of Russia—better than before 1859.

"Prohibition pure and simple, common enough before 1860, scarcely exists now. Many countries—e.g., Holland, Belgium, Norway, and Sweden—have, since 1860, adopted a policy approaching our own. Scarcely anywhere in Europe are tariffs now as high as they were before 1860. Many neutral markets are free." On the other hand, every one of our self-governing colonies, with the exception of New South Wales, has increased its duties since 1859; and the tariffs of Canada and of several of the Australian colonies are higher than those of France, Italy, Austria, Germany, Belgium, and other States.

Sir Thomas Farrer himself is, on the whole, opposed to commercial treaties. (See his Chap. 52.)

* The "coal clause" was strongly opposed. It was contended that England, by depriving herself of the power of prohibiting the export of coal, would, in the event of war, be placed in a very injurious position. Now that steam had taken the place of sail, the possession of coal ourselves and the lack of coal in other countries were very important factors in war. Moreover, it was contended that, in any case, it was important to husband our supplies of coal and iron, for on their abundance depended our commercial supremacy in time of peace, our offensive and defensive powers in time of war. The Prince Consort, for once, showed a lack of sagacity by opposing the Commercial Treaty. "The treaty," he wrote, in January, 1860, "will not give satisfaction here, because it gives France our coal and iron—the two elements of our superiority hitherto—and in return, by loss of duties upon wine and articles of luxury, causes us an immediate deficit in income of two millions!" (*Life*, v. 23, see also p. 13.) The answer was simple. An export duty on coal in time of peace had been tried and had failed. In time of war no commercial treaties would ever bind a belligerent, and on the approach of hostilities the export of coal would be immediately prohibited, while, as a matter of fact, France and all other European countries possess ample supplies of coal for all belligerent purposes. The free export of English coal improves her trade and increases her wealth.

† Compare Madame Mohl's remark to Mr. Senior (*Conversations with Thiers*, &c., 1860, ii. p. 296): "With our general ignorance of political economy, we believe that you (the English) are to gain enormously by it, and that we are to lose."

The Treaty was to remain in force for ten years, and then to continue from year to year unless “denounced” by either party, when it would, unless renewed, terminate in twelve months. At the end of twenty years it was to lapse unless renewed. Each side retained the power of augmenting or imposing, for fiscal or revenue purposes, customs duties on the goods of the other; but these could be levied only if, and so long as, a corresponding excise duty to an equal amount were imposed. Both parties further engaged to insert in the Treaty a “most favoured nation” clause.

The principal engagements under the Treaty were these:—On the side of France, prohibitive duties were to give way to protective duties of moderate amount. On all the staple and material articles of British manufacture—woollen, cotton, silk, flax, jute, hemp, hair, and manufactures of iron and other metals, tools and machinery; manufactures of leather, wood, glass, and earthenware; as well as on yarns, coal and coke, and other raw materials, etc.—the duties were to be so much reduced that the maximum *ad valorem* charge should not exceed thirty per cent., a figure which was to be reduced within three years to twenty-five per cent., while the duties, where practicable, were to be changed into specific duties. Thirty per cent. was to be the maximum, but the actual amount of duty to be paid on each article was left for separate negotiation, and, in the result, on most articles, it was fixed considerably below the maximum.*

England, on her part, engaged totally and immediately to abolish all the remaining protective import duties on manufactured goods. She agreed not to levy a duty on, or to prohibit the export of coal. She agreed—and here, so far as French interests were directly concerned, was the chief object of the Treaty—largely to reduce the duty on wine and on brandy, reductions of duty which especially affected the products of France.

The duty on British spirits was 8s. 1d., that on Colonial (rum) 8s. 2d., while that on foreign spirits was 15s.† These duties were now to be equalised—by the reduction of the latter duty to

* Cobden, in an official letter of November, 1860, stated that the duties in the French tariff as finally settled would not on the average exceed 15 per cent.

† See *I.* 247.

8s. 6d., a duty which, taking into account the greater burden entailed on the home manufacturer by reason of the restrictions on trade rendered necessary by excise supervision—was reckoned as equivalent to that charged on English spirits. Under stress of war expenditure the equivalent duty was, a month or two later, as we shall see, raised by 2s. a gallon.

The duty on foreign wine was 5s. 9d. a gallon, on Colonial 2s. 11d.; the former was to be immediately reduced from 5s. 10d. to 3s. a gallon, and, after the first of January, 1861, the duties were to be equalised, and [to be levied on a scale which would have reference to the strength of the wine as measured by the quantity of spirits it contained. The scale, as finally fixed in 1860, was as follows:—for under 18 degrees of alcoholic strength 1s. per gallon, from 18 to 26 degrees 1s. 6d., from 26 to 40 degrees 2s. 0d.; while above 40 degrees the “wine” could only be entered as “spirits.” Wine imported in bottles was to pay 2s. the gallon. In 1862 a further charge was made, both in order to simplify the scale, and in order to protect the spirit revenue and the trade in spirits from the fraudulent introduction of spirits as wine. A dividing line was drawn at 26 degrees of alcoholic strength, and the duties were reduced from four to two; the one a charge of 1s. on all wines containing less than 26 degrees of proof spirits, the other, including wine in bottles, of 2s. 6d. on all above 26 and below 42 degrees. Above this figure, an almost prohibitive duty of 3d. for every additional degree of alcoholic strength was charged. In 1866, in consequence of the negotiation of a Commercial Treaty with Austria, the duties on wine in bottle were assimilated to those on wine in the cask.* Finally, twenty years later, in consequence again of the negotiation of a Commercial Treaty—this time with Spain—the shilling duty was extended to all wines not exceeding 30 degrees of proof spirits, and the 2s. 6d. rate was extended so as to include wines of a strength of 42 degrees.†

* While these sheets are passing through the press the duty on bottled wines has been increased by 5s. a dozen bottles.

† Great difficulty was experienced in bringing the Spanish negotiations to a satisfactory conclusion, and in obtaining anything like satisfactory treatment of British goods in return for the reduction of the wine duty. A Commercial Convention was finally concluded in April, 1886. (See C. 4277, 4416, 4419, 4592, 4778, 4779, 4859, and P. P. 161 of 1885, etc.)

The history of the wine duties as levied in England is a somewhat curious one.* The "prisage of wine," levied in the form of a toll of a cask of wine or sometimes two casks out of each cargo imported—was first imposed about the twelfth century, and was among the earliest of the Customs duties. The toll was, about the beginning of the fourteenth century, commuted into the more convenient form of a fixed duty—"butlerage"—of 2s. on every hogshead. In addition to this fixed levy, additional duties were gradually imposed, charged on the 'tun' and termed the "tunnage of wine."

Throughout the sixteenth century the consumption of wine—especially of French wine—was considerable and increasing. In

"The spacious times of great Elizabeth"

the maids of honour were allowed their two bottles a day, though the Virgin Queen herself preferred ale with her beefsteaks.

By the time of the first Stuarts the wine duties were among the most productive of the customs imposts. The "tippling act" of the beginning of the seventeenth century was directed more against the abuse of wine than of spirits; and in those days much legislative attention was devoted to the regulation of the import, consumption and sale of wine.

During the "war of tariffs," in the third quarter of the seventeenth century, when the French turned from a policy of commercial liberty to a policy of commercial restriction, England retaliated, first by the imposition of heavy duties on French wines, and then by their prohibition. The prohibition was not, however, of long duration, and the taste for French wine was not diminished, and, in 1687, the consumption was no less than some four million gallons. But from that time onwards the duties were gradually increased, and, in 1703, the final blow was struck by the negotiation of the "Methuen Treaty." Under this Treaty, which was entered into chiefly in order to induce Portugal to join the alliance against France, the heavy wines of the Peninsula were to be, then and "for ever hereafter," admitted into England at a

* See Budget Speech, 1860. Dowell, iv. 73 (an interesting historical account of "wine") 162, &c. First Report Commissioners of Customs, 1857, and their annual returns; *P. I. and E.* ii.; McCulloch, *Com. Dict.*; Porter, 569, &c.; Tayler's *History of Taxation*; Henderson's *History of Ancient and Modern Wines*, ed. 1824; Barry's *Wine of the Ancients*; Levi's *History of Commerce*, &c., &c.

rate not exceeding two-thirds of that at any time charged on the lighter wines of France. In return, the woollen goods of England, previously prohibited, were to be admitted on favourable terms. This Treaty was periodically renewed: in 1810, the renewal was granted chiefly as a recognition of the gallant way in which, while nearly every European Power had, in the course of the Great War, turned against us, Portugal, "our old and faithful ally," had alone throughout adhered to our cause. Commercially, the treaty was most disadvantageous to England. Its result, as summed up by David Hume, was that "we lost the French market for our woollen manufactures, and transferred the commerce of wine to Spain and Portugal, where we buy much worse liquor at a much higher price."*

Addition after addition was made in the eighteenth century to the duties on French wines, as well as to those on French brandy, and, by 1786, the light wines had given place to the more unwholesome and intoxicating vintages of Spain and Portugal; in that year, out of a total of some five million gallons on which duty was paid, only 100,000 gallons came from France.†

The Commercial Treaty of 1786, by a substantial reduction of duty, revived the demand, and by 1794 nearly 700,000 gallons were again being annually consumed.‡ But on the outbreak of war, and subsequently, the duty on French wine was again gradually increased from the 3s. 9d. of the Treaty to as much as 19s. 8½d. in 1813, a duty diminished, but only to 13s. 8½d. the following year, and it was maintained at that enormous rate until 1825. And, once again, "the English people were positively punished, fined, and starved out of their taste for French wines."|| Port and sherry came to be almost exclusively consumed, and the idea soon followed that they were the only wines "fit for gen-

* *Essay on Balance of Trade* (pub. in 1752). See a somewhat similar result springing from the differential timber duties, *I.* 343. According to McCulloch, not so much as a single pipe of port had found its way into England before 1689, though sherry was common enough.

† A great deal of French wine was, however, smuggled, and one of the objects of Walpole's unlucky Excise Bill of fifty years before had been to check this smuggling. Sir E. Barry, in the curious old volume entitled, *The Wine of the Ancients*, ed. 1775, says that one reason why French wines were going out of fashion was their free adulteration with Spanish wines, whereby the French wines "lost their reputation," and so "port wines are now universally preferred to the French claret" (p. 438).

‡ Budget Speech, 1860. See Henderson.

|| Budget Speech, 1860. In 1825 the duty on Peninsular wines was 9s 1½d., on Cape wine 3s. 0½d.

tlemen.”* The effects of the Methuen Treaty, and the foolishness of the financiers of those days has been felt by all succeeding generations; for the sins of the fathers are visited on the children, in gout, if in nothing else.

In 1825 Huskisson, carrying out his policy of reducing excessive duties,† greatly reduced the duty on wine: that on French from 13s. 9d. to 7s. 2½d., that on Peninsular from 9s. 1¼d. to 4s. 9¾d., that on Colonial from 3s. 0½d. to 2s. 5d. These reductions, like those on spirits, were eminently successful; the diminished rates almost immediately produced as much revenue as the old, though a loss of over a million had been expected. In 1831, when the Treaty with Portugal was finally allowed to expire, the foreign rates had been equalised and reduced to 5s. 6d., and the Colonial rate had been raised to 2s. 9d. Baring’s “levy” had added 2d. or 3d. to these rates, and at these amounts the duties now stood.

The reductions of 1825 and 1831 had not revived the taste for French wine. The equal and still heavy tax on all wines practically constituted a differential duty against the cheaper and lighter wines of the Continent, as compared with the heavier and more expensive wines of the Peninsula. Again, the actual differential duty of 4s. 8d. a gallon in favour of English “made wines” or “sweets,”‡ encouraged their manufacture; and the growth and exportation of Colonial wines was unduly encouraged by the low duty imposed upon them. Not indeed that Colonial wines were in favour—to one writer Cape wine was “execrable,” and to another “vile trash”||—but they were grown in order to adul-

* It was on this subject that the luckless but immortal Boswell received from his “illustrious friend” one of those snubs which he bore so cheerfully, and reported, to the diversion of all mankind, so faithfully. He had ventured to remark that the Scotch “had wine before the Union.” *Johnson*: “No, sir; you had some weak stuff, the refuse of France, which would not make you drunk.” *Boswell*: “I assure you, sir, there was a great deal of drunkenness.” *Johnson*: “No, sir; there were people who died of dropsies, which they contracted in trying to get drunk.” (*Tour to the Hebrides*, 251).

† The Commissioners of Customs and Excise of 1825 (*P. P.* 425), speak (p. 29) of “the two articles which form so large a proportion of the contraband trade, viz., foreign spirits and wine.” (See Parnell, Chap. iv.)

‡ “Made wines” were distilled from foreign or British fruit in England, and chiefly from raisins, to which were added sugar and some brandy. These “wines” were themselves exempt from duty, but it was estimated in 1860 that the duty on the raisins, sugar, and brandy used was equivalent to about 1s. 2d. a gallon.

|| See Henderson (p. 259); McCulloch, *Com. Dict.* See also Report of Commissioners of Exhibition of 1873 on the wines exhibited. They reported that a very great improvement had taken place in the quality of Australian wines since 1862.

terate, or to be passed off as, foreign wines,—to the great misfortune of the consumer.

All these reasons combined had made wine the rich man's luxury; "and," said Mr. Gladstone, "you may make tea or sugar, or any other article of consumption the rich man's luxury, if you put on it a sufficient weight of duty." He scoffed at the superstition held by many "that an Englishman is not born to drink French wines," and that, lower the duties as you might, the English would keep to their home-made beer, their Peninsular wines, and their gout. "Taste was mutable," and one of the principal objects of the treaty was to bring within the reach of the "poor man" the light wines of the continent.* The treaty indeed, if we may put it so, was to be an anti-Methuen measure—in future the lighter the wine the less the duty.

The sanguine expectation that the English would, as a nation, throw spirits to the dogs and take to cheap claret has—fortunately for the revenue, if not for the cause of sobriety—scarcely been realized. At first it seemed as though taste was indeed rapidly changing. "Wine, and wine alone, has done all and more than all I anticipated," Mr. Gladstone proudly exclaimed in 1861. The imports of wine had increased in one year by one-third—from 8¼ to 12½ million gallons. But the triumph was not of long duration. The traders had taken the word of the Chancellor of the Exchequer that taste would change, and had poured in their supplies; the market was overdone, and in the next two years the imports fell off. They then again increased, and for ten years steady and substantial progress was made, the imports of French wine—1,010,000 gallons in 1859, 2,445,000 gallons in 1860, and 2,244,000 gallons in 1862—rising to as much as 6,242,000 gallons in the "prosperous" year 1873. But the pace was too good to last; the light wines of France had taken no firm hold on English taste, and bad times soon checked the consumption. From 1873 until the present year, the imports of wine from France have shown almost a successive annual decline, and in 1886 reached their lowest point, namely, 5,432,000 gallons.

* In commenting on the treaty, Mr. T. Baring remarked, "It is true tea and sugar are still taxed, but you can drown your cares in copious draughts of cheap claret, you may dress your wives and children in cheap French silks, and, more than all, there is not a labourer who may not guide the plough and till the soil in cheap foreign gloves!"

Taking wine all round, while in 1856 ·22 gallons per head were consumed in England (an amount which rose to ·37 gallons in 1861, and to no less than ·56 in 1873), in 1886 the consumption only amounted to ·36, and seems to be rapidly returning to pre-treaty dimensions. The revenue derived from the wine duties, which was £1,100,000 after the change of 1860, rose to £1,790,000 at its best, and in 1886 was again only £1,128,000.

It is true that the consumption of all intoxicants has diminished since the year 1873, but in the case of wine alone has the consumption fallen below that of 1861.* Whatever be the reason of this falling off, whether it be due to “the ravages of temperance”† or to mere change of taste, one thing at least is certain and satisfactory, that the reduction and rearrangement of the duty has vastly diminished adulteration, and light wines can now be bought at moderate prices and comparatively pure.

The result in pounds, shillings, and pence of the improved commercial relations brought about by the Treaty was this.‡ The total trade between the two countries before the Treaty was, as we saw, under twenty millions a year. By 1862 the British exports to France, and the imports from France to England, amounted together to 43½ millions; a total that, by 1866, had further risen to 63½ millions—imports 37, exports 26½. For a few years these figures showed a slight decline, contemporaneous with the general depression of 1867 to 1869. By 1870 they were beginning to rise again, when the French war at once reduced the imports very considerably—to 30 millions, the lowest point they had touched since 1864—while increasing the exports to 33½, the highest point they ever touched. The active years of 1872-5 raised the imports from France to 46¾, the exports remaining at about 29 millions. Depression followed, but in 1880, the imports

* The revenue derived from the wine duty is the same now as then : the British and foreign spirit duty (without any change having been made) has risen from about 12¼ millions to 17 millions ; the duty on beer from under six, to about seven millions and a-half.

† Sir Mountstuart Grant-Duff, *Nineteenth Century*, July, 1887.

‡ One incidental advantage following on the conclusion of the treaty of 1860, as on that of 1786, was the abolition of the passport system, so far as British subjects are concerned—an improvement due to Mr. Cobden’s persuasive arguments. A minor, but striking point, mentioned by Mr. Gladstone in 1862, as showing the increased intercommunication between the two countries, was the fact, that while the normal annual increase of Anglo-French letters was about four per cent., in the year succeeding the signature of the treaty it had risen twenty per cent.

from France were still 42 millions, and the exports to France 28 millions; a total trade of 70 millions against the 20 of 1860. Then the Treaty came to an end, but for a year or two, while negotiations were still pending, and while the old tariff remained in force, the trade maintained its level. After the failure of the negotiations, the application of a more stringent tariff by France, and the uncertainty overhanging the trade, caused the imports and exports gradually to shrink; and in 1886, the former only amounted to 36½ millions—by far the lowest figure since the Franco-German war—and the exports alas! to only 20¼ millions, the worst since 1861. The year 1886 was doubtless a disastrous one for British trade all the world over, and 1887 has shown a considerable improvement. But these figures show how advantageous was the Treaty to the trade of the two countries, and how injurious has been its abrogation, and the consequent increase of duties, and greater uncertainty in all commercial transactions.*

In 1872 the Treaty was “denounced” by France—under Thiers—in order that certain alterations might be made in the duties levied under it. The French were at that time groaning under the load of the German indemnity and a greatly increased burden of taxation. Thiers was a professed protectionist,† and he and his Cabinet believed they could best obtain the revenue they required with the least pressure on the French people by the increase or imposition of duties in contravention of the terms of the treaty. Nothing final had however been settled when he fell, and his successor, in 1873, re-negotiated the Treaty and renewed it, practically on the basis of that of 1860.

In 1878 negotiations for an improved Treaty were again begun; but they came to nothing, and the chronic Ministerial crisis in France prevented their resumption until 1880, when the Treaty was temporarily renewed. In that year, negotiations were tenta-

* In the Trade Report (published July, 1885, C. 4445), on French commerce and manufactures, issued by the Foreign Office, the writer points out that the French foreign trade, which until 1880 was on the increase, has, since the establishment of the new tariff in 1881, “revealed either a total absence of expansive power or a decided retrogression.”

† “Thiers,” said Count Beust, “remained to the day of his death, an inveterate enemy of free trade . . . and, in 1839, I heard him maintain quite seriously, that railways were the most useless things in the world.” (*Memoirs of Count Beust*, ii. 192.) Thiers, in 1872, when discussing the English Commercial Treaty, spoke of it as a “deplorable yoke on the nation.”

tively resumed, and in August still further advanced. But little definite was done until 1881, in which year the French Government introduced into the Chambers a new "general tariff" which *ipso facto* would put an end to existing Commercial Treaties. It became necessary therefore that some decision should be arrived at, and, after certain preliminary negotiations had taken place, Commissioners were appointed on either side to meet and to discuss the question, with the new tariff as a basis. It was understood, however, that this tariff—which would add generally some twenty-four per cent. to the existing import duties—would be subject to considerable reduction in the case of English goods.

Throughout the negotiations the most friendly feeling actuated both sides, and a strong desire was expressed for a successful termination to the labours of the Commission. But points of difference soon arose. The English Government, when the negotiations had been begun in 1880, had understood through the then French Ambassador, that the basis of the negotiation would be "amelioration of the *status quo*, with a view to develop commercial relations." * It soon appeared, however, that the new French Government and the new French Ambassador—one of the difficulties of the situation was the constant change of Government in France—entirely declined to be bound by the declarations of their predecessors, though they expressed themselves desirous of giving as favourable terms as possible to England. Again, they insisted on the abolition of all *ad valorem* duties, and the substitution of equivalent specific duties in their stead; and to this the English Government strongly objected, on the ground that specific duties told heavily and unfairly against the lower and cheaper classes of goods, those especially which came from England. The longer the negotiations continued—and they extended over a year and a half—the more hopelessly divergent became the views on either side. †

It was true enough that England had already relinquished

* For the history of all these negotiations see C. 3050 and 3051, 1881, and C. 3157, 1882.

† From Aug., 1880, to Feb., 1882. The Commissioners sat for the first time in May, 1881, and met 38 times, the last meeting being presided over by M. Gambetta, then Prime Minister. The English Commissioners were Sir C. Dilke, Sir C. Rivers Wilson, Mr. W. E. Baxter, and Mr. Kennedy.

nearly every weapon of retaliation or negotiation that she formerly possessed. One instrument of negotiation alone was left to her—wine. And, in the first instance, the English Government, hoping and believing that the French Government were about to improve on the existing tariff, had been willing to reduce the duty on French wines by one-half—to sixpence a gallon. But, when it appeared that even the maintenance of the *status quo* was in jeopardy, and that the terms now proposed would be not less, but more onerous, than those of the existing treaty, they drew back; and not only informed the French Government that the duty could not be reduced, but hinted that, in order to obtain commercial advantages from Spain and Portugal, the higher duty charged on the heavier wines of the Peninsula would very likely be lowered.

The French negotiators and the French Government, having thus in view no palpable benefit to the French producer that they could show to the public and to the protectionists, as a set-off against the more lenient treatment they were asked to give to England, as compared to other nations,* became the less anxious to carry through the treaty. Nor can they be blamed for taking this view of the matter. France, unfortunately, has always been protectionist at heart,† and has remained uncon-

* Though, indeed, under Article 11 of the Treaty of Frankfort, of 1871, which stipulated for perpetual "most-favoured-nation treatment" to Germany, any concessions given to England were *ipso facto* conceded to Germany.

† "The Prime Minister (M. Ferry) observed, with the concurrence of his colleague (M. Tirard, Minister of Commerce), that the present Government of France was a free-trade Government, and they themselves desired to make the most liberal Treaty that they could carry through the Chambers; that there was no difficulty with the Lower House, but that the Senate contained a most active body of protectionists, and that even the majority of the Senate was protectionist up to a certain point. The President of the Council said that to make too good a Treaty might defeat the object in view, by causing its rejection in the Senate." Despatch of Sir C. Dilke to Earl Granville, Oct. 12, 1880 (C. 3050, p. 16). Lord Granville gives in a despatch to Mr. Adams (now Sir F. O. Adams)—August 10th, 1881—an amusing account of a conversation he had with M. Challemlacour. Lord Granville told the French Ambassador that "I should greatly regret the failure of the negotiations, in the interests of both countries, but that he and I, as free-traders, would probably agree that France would be the country which, of the two, would suffer most. M. Challemlacour said that the English had for some time past been very free in their advice to France as to what was best for her to do in her own interests. I said that I made no such pretension, but that I merely supposed that, as two free-traders, we should agree that the country which broke off commercial negotiations by a refusal to lower an unduly high Tariff was the one which would suffer most from any consequent interruption of trade. M. Challemlacour answered that he was no doubt a free-trader, a 'libre-échangiste,' but that he was a 'libre-échangiste Français,' that he recognised the necessity of paying due consideration to the interests of national industries. In

vinced even by the enormous expansion of trade which followed the reduction of duties consequent on the original Treaty. But the treaty of 1860 had been, at the time of its negotiation, obviously and undeniably unpopular with the people at large, in spite of the fact that the Emperor could point to the many great reductions and simplifications in the English tariff consequent on it. France was now no longer an Autocracy, but a Parliamentary Republic. The Government of the day could not hope to obtain assent to a renewal of the treaty unless they could give some solid and convincing reason why England—the most dangerous commercial rival, the greatest competitor with French goods, both at home and abroad—should be accorded especially favourable terms, and renewed facilities for flooding the French market with her goods; at a time, moreover, when “French production had been seriously aggravated in respect of taxation and the military service, which had so greatly fettered the working of their manufactures.”* The only palpable advantage that could be set off against any specially favourable treatment of England was a substantial reduction in the wine duty, and this was no longer to be had.

The upshot of the matter was, that not all the conspicuous tact and ability of the English Commissioners could avail to obtain from the French Government anything approaching the reductions on the general tariff for which they asked (especially on such articles as cotton, woollens, and worsted goods), or what they considered fair relative equivalents for the old *ad valorem* duties. So, in 1882, the negotiations were broken off, the English Government preferring—and in this they had the sanction of Parliament and the concurrence of the great commercial bodies of the country—as they could not secure any substantial advantages to British trade, at least to retain a free hand.†

that case, I said, I must venture to doubt whether a ‘*libre-échangiste Français*,’ in his Excellency’s acceptation of the term, was not what in England we called a protectionist.”

* From Memo. of French Government (Sept. 24, 1880) in reply to that of the English Government. In another place (p. 24) the French Commissioners put the increase of annual taxation since 1870 at £28,000,000, while compulsory military service had also during the same period been made universal. (C. 3157.)

† The duties as fixed in 1860 had themselves become relatively heavier in consequence of the fall that had taken place in value and profits since the Treaty was signed. “The relative proportion of profits to value having altered, a ten or fifteen per cent. duty *ad valorem* presses more heavily now than it did in 1860. While, as

An endeavour was next made by the English Government to negotiate a treaty simply on the basis of "most-favoured-nation treatment." But the English Government, refusing to pledge itself not to raise the customs duties on French goods during the period of the existence of the treaty, the French Government rejected the proposal. Ultimately—in the interest of the French manufacturer and trader, and with a view to the maintenance of good relations between the two countries—the French Government in 1882 introduced and passed a law* directly extending to England the benefits of the "most-favoured-nation" treatment.

Under this law England, indeed, is left free to adopt whatever fiscal policy she pleases, but, on the other hand, France may, at any moment, by the simple repeal of a law, place English traders at a great and sudden disadvantage. And on this most unsatisfactory basis the commercial intercourse between the two countries now rests,—a melancholy ending to the great Treaty of 1860, and to the hopes, which had been founded on it, of a continuous reduction of protective duties, and a gradual extension of free-trade ideas.

Nevertheless, the treaty, during the twenty years that it lasted, placed the commercial, and, we may add, the political, relations between the two countries in such a position that, though its lapse is a serious blow, many of the good effects which arose from it will permanently survive.

regards the specific duties then agreed upon, there is, in many instances, good reason for saying that at the present time they far exceed the *ad valorem* rates, for which they were originally intended to be equivalent." Sir Charles Dilke's Memo. on French Commercial Negotiations, August 6, 1881. (C. 3050, p. 4.)

* Feb., 1882.

CHAPTER XII.

EXPENDITURE.

1860.

THE session of 1860 had opened with considerable legislative activity. The Queen's Speech promised a Reform Bill, bankruptcy reform, a bill to deal with the transfer of land, a commercial treaty, and other matters. It was speedily apparent, however, that no one wanted a Reform Bill—or, indeed, reforms of any sort. The Parliament, elected to deal with the representative system, was not at all inclined to commit the happy despatch. Out of doors, the question of Reform excited no interest at all. The Prime Minister did not conceal his contempt for and indifference to the question. For form's sake, and in order to keep Lord John in the Government, a bill was introduced. The bill passed its second reading without a division, and then softly and silently vanished away.

The public apathy in regard to reform and to legislation generally was however greatly to the advantage of national finance: it would have been well nigh impossible to have driven Reform and all the great financial measures of the year abreast "through Temple Bar."* The breakdown of the Reform coach left the road clear for the Budget and the Treaty; and the legislative doings of the year, and the Parliamentary interest of the session, except in so far as it was due to foreign affairs, may be summed up in one word—Finance.

* Mr. Gladstone, in his article in the *Historical Review*, to which reference has already been made, declares that the greatest danger to the Treaty and Budget was from the hands of Lord John Russell, who insisted on introducing his Reform Bill alongside of the financial proposal of the year. "The Treaty and the Finance had many enemies, the Reform Bill had more,"—and the enemies of each found their opportunity in the unpopularity of the other.

The proposals with reference to the income-tax, and the Budget scheme generally, were endorsed by a large majority very early in the session.* And, in the end, the Chancellor of the Exchequer was successful in carrying all his proposals, with the one exception of that relating to the repeal of the paper duties; but not until the Budget, the Treaty, the Paper duties, and the action of the House of Lords in relation to the last named, had given rise to many a prolonged and animated discussion.

Two other matters involving great outlay, received some attention during the Session—the Chinese war, and the fortification proposals. Our quarrels and wars with China have never been very creditable to us, and the English have always been (like Palmerston) too apt to consider the Chinese official who did not at once give way to their demands, however unfair or offensive, as “an insolent barbarian,”† with ways that are dark and with tricks that are vain.

The “Opium War” of 1839–41 arose out of an attempt on the part of England to force her opium upon the Chinese people against the will of their rulers; and the Peace of Nankin—under which Hong Kong was ceded, and five “treaty ports” thrown open to British trade—was intended to protect the Indian poppy-growers from the prohibitions of the Chinese Government. The relations between the officials of the two countries had continued far from friendly; and, in 1856, on the Chinese authorities capturing and condemning a Chinese pirate-boat—for the “Arrow” was neither more nor less—the English representative thought it necessary warmly to take up the cause of the pirate, because the captured boat had, without authority or proper registration, occasionally flown the British flag.

On the assumption that the Chinese “yield nothing to reason, and everything to fear,”‡ the most menacing terms were used in demanding immediate satisfaction. But compensation and redress were not unnaturally refused by the Chinese Government, who probably were, and certainly thought that they were, entirely

* Feb. 24, by 339 votes to 223.

† Thus did Lord Palmerston, in his *Election Address* of 1857, discuss the Chinese question: “An insolent barbarian, wielding authority at Canton, had violated the British flag, broken the engagements of treaties, offered rewards for the heads of British subjects in that part of China, and planned their destruction by murder, assassination, and poisons.”

‡ Lord Elgin's expression, *Prince Consort*, iv. 306.

within their right in what they had done. War was declared, and the French, who also had some grievance against China, joined with us.

The war was interrupted by the Indian Mutiny, and the troops destined for China were detained by the order of the Governor-General to assist in quelling the revolt in India; but was resumed in 1858, and, after adequate success on the part of the allies, a Treaty of Peace was signed, and under its terms limited access to the country was to be granted, and an indemnity paid. The Treaty was to be ratified at Peking, and for that purpose the English envoy, in the summer of 1859, proceeded under armed escort up the Peiho. Either by accident or design, the Chinese commander had been left without instructions, and refused to permit the advance of the force up the river. The English envoy insisted and advanced. The Chinese opened fire, and the English were driven back with considerable loss of life. A "great demonstration in force," as Sidney Herbert called it, was made, and an ultimatum despatched to the Chinese Government. The ultimatum was rejected and a second joint expedition invaded China. The Chinese were able to offer but little resistance. An act of treachery on their part, the capture and murder of six French and English subjects, necessitated the occupation of Peking, and was thought to require the destruction of the Summer Palace of the Brother of the Sun. In November of 1860 a treaty was finally signed and ratified, which subjected China to an indemnity, and opened the country still further to foreign trade.

At its outset the war had brought defeat on Palmerston. Near its close it supplied the House of Lords with a reasonable excuse for bringing defeat on his Chancellor of the Exchequer. The outlay on the war amounted to about six millions and a half. The indemnity received by the Exchequer came to nearly two, leaving the total cost to this country at some four millions and a half.

A treaty of commerce and friendship was, we may here remark, negotiated by Lord Elgin with Japan in 1858, which opened the country of the Tycoon to European trade and civilization, an advantage of which no country has more readily availed itself. Free access to Japan, and final peace with China, had a marked effect in extending British trade in the East.

The renewal of the Chinese war had involved a considerable addition to the expenditure estimated for in the Budget of 1860, and a supplemental Budget had to be presented in July.* A sum of £860,000 had been spent in 1859, an additional £1,650,000 had been provided in the Budget,† and now a further £3,300,900 was required—of which £450,000 was for arrears from the former war due to the East India Company—in all, a sum of £5,800,000.

It was scarcely to the credit of the Government that the financial necessities of the Chinese question had been so greatly miscalculated. Up, to the last, they seemed to have lived in a fool's paradise, and to have been obstinate in declaring, first, that the expedition was merely a peaceful expedition and would not lead to war; and then, that, if war should ensue, ample provision had been made. Even if redress had been peaceably obtained, and war had been averted, the original estimate of cost was too low. The expedition bearing "the peaceful remonstrance" consisted originally of 10,000 men (increased by July to 18,000), acting many thousands of miles from its base; and it hardly required any great gift of prophecy on the part of such men as Sir J. Elphinstone and General Peel to demonstrate that the whole of the two and a-half millions already provided would be more than swallowed up in merely sending such a force to China and in bringing it home again. Yet, even after it was known that England had become involved in war, Lord Granville, advocating the Paper Duty Repeal Bill, had, in May, told the House of Lords that the Government saw no danger of a deficiency in the current year; and, within two months, the Chancellor of the Exchequer had to come down and ask for an additional three millions.

No doubt, as the Government subsequently argued, it is not advisable to ask for "large and indefinite sums for large and indefinite contingencies;" but, in this case, even after the contingencies had become very large and very definite indeed, they for some time refused to make definite and adequate provision. The reason given by the Chancellor of the Exchequer on behalf of the Government for their error was curious, and historically interesting. The British representative at the "other end of the

* *H.*, July 16th, 1860.

† In ordinary Army estimates, £680,000; ditto, Navy, £464,000; vote of credit, £500,000; total, £1,644,000.

world" had, so the Government declared, essentially altered the terms of the ultimatum on which they at home had agreed, making it much more stringent, and therefore more likely to be refused. Again, from India had been sent nearly double the number of troops the Government had originally intended to despatch: facts which (as Mr. Gladstone might well remark) "illustrate the necessary feebleness and inefficiency of control which the Cabinet in London can exercise over transactions of this kind."*

A sum of £3,300,000 was required in July. The original estimate had provided for a surplus of nearly half a million. But a change in the "minute taxation," and an increase in the cost of collection, had made away with this surplus. On the other hand, the rejection of the Paper Duty Bill had saved for the Chancellor of the Exchequer some £900,000 of revenue—received and utilised by him without a word of thanks to the donors,—leaving a sum of about £2,400,000 still to be provided.

Part of this war expenditure was to be raised by taxation, and part was to be borrowed.† Additional taxation to an estimated amount of £1,400,000 was to be obtained from an increase in the Spirit Duty, of which just over a million would be received in 1860, and a further £350,000 in future years. The other £1,300,000 to £1,400,000 required in the year itself was to be taken, if required, and as required, from the Exchequer balances. The total war burden falling on the year amounted to five millions,‡ and of this four million was immediately met by taxation or from "extraordinary resources."|| A very considerable effort was thus made at once to meet not only the exceptionally heavy burden of ordinary expenditure, but very nearly the whole of the war burden as well.

* The moral which Mr. Gladstone drew was that, as it was impossible to check such transactions as these when they had once begun, the mode of conducting communications with distant Powers should be altered. "It is an extremely dangerous system of policy," said he "that sends forth treaties to be exchanged at the sword's point and cannon's mouth," for such a policy as that places far too much responsibility and discretion in the hands of the "remote agents of your power." (*II.*, July 11th, 1860.)

† See *II.* 258, for Mr. Gladstone's argument on the subject of "divided method of provision" in regard to war expenditure.

‡ Original war estimates £1,644,000; amount now required, £3,300,000: total, £4,950,000.

|| The extraordinary resources intended to be absorbed in 1859 and 1860 were these: 1859, malt credits, £780,000, Spanish debt, £250,000; 1860, malt and hop credits, £1,400,000, Spanish debt, £250,000: total, £2,680,000.

Under the terms of the Commercial Treaty the duty on foreign spirits had, as we saw, been reduced to an equivalent to that charged on British spirits. The spirit duty was now to be raised by about two shillings a gallon all round; that on British from 8s. 1*d.* to 10s.; that on Colonial from 8s. 2*d.* to 10s. 2*d.*; that on foreign spirits from 8s. 6*d.* to 10s. 5*d.** This increase of duty followed on many somewhat similar increases made during the previous seven years, but has not been repeated since.

The habitual drunkard, said Sir Wilfred Lawson once, "is the sheet anchor of the British constitution." And as that interesting individual applies his energies chiefly to spirits, the revenue derived from that form of intoxicant constitutes far the most important branch of the national receipts.

The taste for spirits in England was of much more recent date than that for wine or beer.

"Man being reasonable must get drunk;"

but the drunkenness that came in with the Stuarts—or at least was unknown to the Statute Book before their time—was caused by the two milder intoxicants.

The Civil War brought the use of spirits more into vogue. "It was a stimulant easily carried in a small compass, it protected the campaigner from the raw, damp atmosphere of our island, and it was not, as sack was, a Royalist drink."† Spirits, too, were cheaper than beer or wine; and, from that time onwards, they made steady progress in national estimation.

Consumption naturally led to taxation.‡

In 1700 the excise duty yielded about £33,000. In that century, constant alterations were made in the excise duty and the licence duty which was also introduced, with the primary view—until ever recurring war made essential the revenue derived

* The net reduction on foreign spirits in the year would thus be 4s. 7*d.* First a reduction of 15s. to 8s. 6*d.* then an increase to 10s. 5*d.*

† Dowell, iv. 98.

‡ Under the head of "spirits" are included the intoxicants obtained by distillation. The "foreign and colonial" spirits consist of "brandy," a French product derived from wine; "rum," a product of the West Indies derived from cane juice; "Geneva," chiefly from Holland, derived from rye, barley, sugar, &c., and the essence of juniper berries: together with raw (potatoe) spirit, chiefly from Germany sent over to be flavoured in England. The home-made spirits are "whisky," derived from malted grain; "gin"—short for "Geneva"—and "British brandy." See Dowell, iv. 195, &c., for a history of the spirit duties, and for the mode in which spirits are made, &c.

from it—of checking consumption and of diminishing drunkenness. Before 1727, the burdens and restrictions on the sale of spirits had not been severe. In that year the “Gin Act”—gin came in with William III.—was passed. The Act failed of its object, and was repealed in 1733. But repeal did not mend matters,* and in 1736 another very stringent Gin Act was passed, with the object of killing the trade. The excise duty was doubled, a heavy tax was placed on the sale by retail, and a considerable licence duty was imposed.† But the duty was so excessive, and the penalties so unduly severe, that the new law became “odious and contemptible,” and was openly evaded. Repealed in 1743; the duties and penalties were moderated, and smuggling, illicit sale, and drunkenness were all diminished together. As revenue was required, the excise duties were gradually increased, and from £200,000 in 1743 the receipts grew to about £900,000 fifty years later, the Customs duty producing at the same period almost half a million. By the end of the war—the English duty having been meanwhile raised from 3s. 2d. to 10s. 3d., the Scotch and Irish duties being proportionately less—the excise yielded about four millions and a half, and the customs, with the duty at 24s. 9d., about a million.

* About this time the attractive notice was often seen outside public-houses, “You may here get drunk for a penny and dead drunk for twopence, and have clean straw for nothing.” See Mahon, iii. 246.

Arthur Young—who looked upon “strong beer” as the only fit drink, and hated to see either tea or spirits consumed—in his *Irish Tour*, declared, in 1780, that “the cheapness of whiskey, with which a man may get dead drunk for twopence, is an enormity too great to be borne. The morals, health, peace, industry, agriculture, manufactures, commerce, and wealth of the kingdom are all materially injured by the cheapness of this vile beverage” (ii. 177).

“The Irish,” he adds, “when they are encouraged or animate themselves to work hard, it is all by whiskey, which, though it has a notable effect in giving a perpetual motion to their tongues, can have but little of that invigorating substance which is found in strong beer and porter. Probably it has an effect as pernicious as the other is beneficial.”

† The tax imposed by the Act of 1736 was 20s. per gallon on gin sold by retail, with a licence of £50. The legal penalties for the infringement of the Act (passed the following year) were among others that “in case of the non-payment of a penalty of £10 for hawking spirits, the offender shall be committed to the House of Correction for two months, and ‘shall, before his or her discharge therefrom, be stript naked from the middle upwards, and whipt until his or her body be bloody.’”

In 1738 a further Act was passed, directed against the sale in a clandestine manner of “spirituous liquors,” by those who “hid them behind some wainscot, curtain, or partition.”

See C. 82, 1870. See also, p. 11, for an interesting account of the mode in which the spirit duties are levied: cf. the interesting Report for 1884 (C. 4474, 1885).

In 1819 the English duty was raised to 11s. 8½*d.*, the highest point it ever touched, and the revenue instead of increasing, diminished. In 1823, Huskisson took the matter in hand, and first reducing the Scotch duty from 6s. 2*d.* to 2s. 5*d.*, and the Irish from 5s. 7*d.* to the same figure, and subsequently the English duty to 7s., he scotched if he did not kill the smuggling and illicit distillation so rampant before, and the revenue rapidly increased.*

Since Huskisson's time the golden rule on which successive Chancellors of the Exchequer have always acted in dealing with the spirit duty, has been to raise the revenue required from a consumption as limited as possible, and to continue gradually to increase the duties in proportion as public opinion and means of control have enabled the tax to be raised without giving a stimulus to contraband trade, illicit distillation, or adulteration.†

* In 1820, say the Commissioners I. L. R. in their Report for 1857, "more than half the spirits actually consumed were supplied by the smuggler." The number of gallons of duty-paying spirits rose from 9,700,000 in 1823 to 23,400,000 in 1828. Even in 1840, it was estimated that a third of the French brandy consumed was still smuggled. See Porter's evidence before Import Committee of 1840 (Q. 2530-2).

† In 1823, with the duty at 6s. 2*d.*, there were 14,000 prosecutions in Scotland for illicit distillation; in 1886, with the duty at 10s., there were but seventeen. In Ireland, in 1834, with the duty at 3s. 4*d.*, there were 8,200 detections; in 1886 there were 1,186, in 1885 but 864. Periodically improving results which, as the Commissioners of 1870 said, give "for Scotland solid ground for satisfaction and for Ireland of hope." (C. 82, 1870, p. 28, &c.)

The Commissioners in their Report for 1857 (p. 9) comment on the fact that illicit distillation is much more prevalent in Ireland than in Scotland. "It would be curious and interesting," say they, "to trace the causes which have led to this great improvement in Scotland, and to ascertain why their operation has not extended to Ireland. But the subject is somewhat obscure. Much, no doubt, is owing to the influence of the Scotch landlords and occupiers of land, who have constantly discouraged illicit distillation upon their properties, and, by showing their disapprobation of it, have materially aided in promoting a better feeling among those who would otherwise have countenanced the smuggler. This, we fear, is not the case in Ireland."

In an Appendix they give an extract from the Report of Messrs. Plunkett and Ryan, upon the state of the Revenue Police Force in Ireland, dated 31st March, 1834, in which appears the following interesting and characteristic passage:—"In the detailed reports of each station, it will be found that, in very few instances, the landlords have been known to interfere to prevent distillation on their estates; and that, in most cases, particularly in the west of Ireland, it is the principal means by which the tenants make up the extravagant demands for their rents. In every instance where a landlord has been known to set his face against illicit distillation, it is discontinued; we mean by setting his face against it, punishing his tenants by dispossessing them of their land, driving them for their rents, or, as the Earl of Farnham does, binding them in their leases, under a severe penalty, not to distil illicitly, and enforcing that penalty when they transgress. This is what we conceive to be setting their faces against illicit distillation; and not merely the nominal discountenance of the practice, either by lecturing their tenants, or disapproving of their conduct, when detected in the illicit traffic."

In regard to articles of general consumption, such as tea, sugar, and dried fruits—exactly the opposite policy has been pursued. The object there has been to obtain the revenue required from the largest possible area of consumption, and gradually to reduce the duties; trusting that, thus encouraged, the consumption would increase, to the increased comfort of the population at large, and to the benefit of the Exchequer.* But, in the matter of spirits if in nothing else, the State and its financiers take under their care the morals of the people, and impose their taxation with a view to the discouragement of the use of intoxicants, as well as to the receipt of revenue.

Acting on this principle, between 1825 and 1860, the excise duties on spirits were gradually raised, and the rates equalised throughout the three kingdoms; while the customs duties on foreign and colonial spirits were lowered, and in 1860 were equalised to the excise.† The duty in 1860 was raised to ten shillings, a rate exceeded only between the years 1812–1825. At this figure the duty has ever since stood; and, with the exception of the unsuccessful proposal of 1885, no further attempt has been made to increase it.‡

Almost every successive addition to the spirit duty has so seriously checked consumption as to disappoint the expectation that had been formed of increased revenue, not only in the actual year of imposition, but for a considerable period after-

As a matter of fact, no visitor to the west of Ireland, even now, can fail to notice the undisguised manner in which landlords and magistrates consume the “poteen” which they fine the tenants for producing. I have, myself, when occupying a semi-official position in co. Mayo, been offered a bottle of “the shuff I was fined for,” as an appropriate present “for the lady.”

* See Budget Speeches, 1859, 1863, and Supplementary Financial Statement, July 16, 1860, &c.

† The Irish spirit duty was twice raised, and subsequently reduced in consequence of the stimulus it was found to give to contraband trade. The duty on English spirits was raised in 1830 from 7s. to 7s. 6d.; in 1840 to 7s. 10d.; in 1855 to 8s.; in 1859 to 8s. 1d.; in 1860 to 10s. That on Scotch spirits was raised in 1830 from 2s. 10d. to 3s. 4d.; in 1840 to 3s. 8d.; in 1853 to 4s. 8d.; in 1854 to 6s.; in 1855 to 8s.; in 1860 to 10s. That on Irish was raised also from 2s. 10d. to 3s. 4d. in 1830, reduced to 2s. 4d. in 1834; raised to 2s. 8d. in 1840; to 3s. 8d. in 1842, and reduced again to 2s. 8d. in 1843; raised to 3s. 4d. in 1853; to 4s. in 1854; to 6s. 2d. in 1855, and equalised in 1858. The Customs duty on foreign spirits in 1820, when the Excise duty (on English spirits) had been 11s. 8½d., was 22s. 7½d., the differential duty in favour of Colonial spirits (rum) was 13s. 11½d. In 1831 the figures were respectively 7s. 6d., 22s. 6d. and 9s. In 1846 the duty on British spirits being 7s. 10d., that on foreign was reduced from 22s. 10d. to 15s. and that on Colonial spirits from 9s. 4d. to 8s. 10d., the latter being further reduced in 1848 to 8s. 2d.

‡ See *II.* 315.

wards. The imposition of 1853, a small one, and the first of those rapid increases that were made between that year and 1860, was an exception to the rule. The estimated yield from the additional taxation was £476,000, and the actual receipt was £590,000. But, in 1854, instead of £450,000, only £370,000 was received in the year from the imposition of that year. In 1855, instead of a million, the yield was but £700,000. In 1858 half a million was expected, and but £85,000 was received, an amount that had in the following year only risen to £300,000. In 1860, instead of the additional £650,000 expected from British spirits, there was an actual diminution of revenue from them of £550,000; and the next year, when a further £350,000 should have been received, or an increase of a million over the yield of 1859, the actual receipts were £160,000 less than those of that year.* Indeed, it was not until some four years later that the Exchequer received the additional amount of revenue on which the Chancellor of the Exchequer had calculated in 1860.† The slowness of recovery on this occasion was, however, mainly accounted for by the greater immediate competition of foreign spirits, by bad harvests, and by the distress in Lancashire.

These successive disappointments have been partly due to a real diminution of consumption, partly probably to adulteration,‡ and partly to unexpected anticipatory deliveries of spirits out of bond. Under the system of warehousing, enormous quantities of spirits, on which the duty has not yet been paid, are accumulated "in bond," so that when an increase of duty is expected, and just before the close of the financial year, large extra quantities of spirits are taken out of bond, and the existing duty paid upon them. The effect is twofold: not only do these particular spirits escape the higher duty immediately afterwards imposed, but the market becoming overstocked by the additional spirits sent into it, some time elapses before the extra stocks are worked off, and a fresh supply of spirits, paying the higher

* Against this must be put the fact that 1859 profited considerably at the expense of 1860 by anticipating deliveries of spirits out of bond. (See C. 82, 1870, p. 17.)

† The effect of the great increase in the duty on Irish spirits between 1853 and 1860 was to reduce the consumption in Ireland from 8,200,000 gallons in 1852 to 4,190,000 in 1861, and the highest consumption since (1875) only brought the figure up to 6,700,000 gallons. In the case of Ireland, however, there is a decreasing population.

‡ The adulteration of spirits usually takes, however, the harmless form of adulteration by the process that Mr. Lowe once called "turning the New River in."

rate of duty, is needed. Thus the actual consumption in a particular year may be as great or greater than that of the previous year, and yet the revenue received may be considerably less.* Increased "clearance" in any given year does not necessarily mean increased "consumption," nor diminished clearance diminished consumption.

Since 1823 and 1825 limited powers had existed of depositing excise spirits in bond for exportation, and, in the case of Scotch and Irish spirits, for those intended for home consumption also; but it was not until 1848 that a general system of warehousing was established throughout the United Kingdom for spirits intended for home consumption as well as for exportation.† Since then, and especially in 1853 and 1864, the system has been much extended, and distillers, proprietors, and importers of spirits (whether British or foreign) can, under proper supervision, freely warehouse, freely export, freely shift, freely have access to, freely deal in their spirits, without the payment of a sixpence of duty, and it is only when the spirits are at last taken out for home consumption that the duty is demanded.‡ The result of these favourable conditions is that a large and rapid increase has taken place in the amount of spirits warehoused. In 1854 the amount in bond was four million gallons; in 1864 eleven millions; in 1884 no less than seventy-two million gallons.

The quantity of spirits in bond in 1883 was equal to a consumption of a year and three quarters, and is now equal to one of almost two years and a half.¶ On the least breath of suspicion of an increase in the duty, the market can be and would be—witness 1885—flooded with spirits at the lower rate of duty, making the increased taxation imposed, for a long time perfectly inoperative. A serious drawback this, to be put against the many great commercial advantages that are derived from the warehousing facilities that now exist.

* This was very much the case in 1859, when a quarter of the whole amount of spirits in bond was taken out near the end of the financial year. (See C. 82, 1870, p. 17, and C. 4474, 1885.)

† See I. L. R. Com. Report, 1885, p. 14.

‡ In the case of articles subject to customs duties the same liberty of warehousing exists, and dates back from a much earlier period, from about the beginning of the eighteenth century, though it was not until 1803 that the system was placed on at all a satisfactory footing.

¶ See Report I. L. R. Com. 1883 (C. 3718), p. 6.

Nor is it in spirits alone that these anticipatory deliveries take place. When increased taxation has been expected, the same thing has more than once occurred in the case of tea and of sugar. And, in their case, when a reduction of duty has been expected, the goods have been left in bond longer than they otherwise would have been, in order to escape the higher, and to be brought into consumption at the lower rate of duty. In either case, whether the deliveries be anticipated or delayed, the comparative revenue of two years is affected. In the former case the expiring year gains revenue that by right belongs to the coming year; in the latter case, the current year gains at the expense of the past year. Indeed, so great are these effects, that the real result of a change of indirect taxation, whether of remission or imposition, cannot be judged until the disturbing cause has passed away.

In the summer of 1860 * the Prime Minister introduced his fortification scheme, which, while throwing but a very small charge, some fifty thousand pounds, on the current year, committed the country to a very large capital outlay.

The Royal Commission on National Defences, appointed the year before, had lately reported, recommending the expenditure of eleven millions and three quarters (of which half a million was for armaments and fittings) on the defence of the naval harbours, arsenals, and dockyards.† Lord Palmerston's proposal was to spend in all nine millions on the purchase of land and the erection of fortifications and defences for Plymouth, Portsmouth, Devonport, Dover, and other seaports. This expenditure was to be considered in the light of capital outlay, and the money required was to be borrowed by means of terminable annuities.‡ The cost of arming the forts, when constructed, was to be met as it

* *H.*, July 23rd, and August 2nd, 1860. The proposal was carried by 268 votes to 39.

† The Commission recommended an expenditure of £11,850,000 (including some expenditure already authorised); of which £1,885,000 was to be spent on the purchase of land, £7,000,000 on the fortifications themselves, £500,000 on armaments, and £1,000,000 on floating batteries. The Commission reported in February, 1860. *P. P.* [2682].

‡ These loans as annually issued are included each year in the "Finance Accounts" and "Statistical Abstract," but are distinguished from the annual expenditure. The amount is ignored or made much of by the Chancellor of the Exchequer of the day, according to the particular point that he desires to prove.

arose, out of current revenue. A sum of two millions was at once to be raised, and the rest of the money as required. By 1886 the total capital expenditure had amounted to seven and a half millions,* and a further expenditure of a million and a half is even yet required to complete the fortifications,† making up the original nine millions.

The proposal to fortify the vulnerable points was no new idea. In 1786, in consequence of the report of a military and naval Commission, who had recommended the immediate fortification of Portsmouth and Plymouth, Pitt asked for an instalment of a sum of three quarters of a million—fortifying was a cheaper process in the days of smooth-bores than it is now—for the purpose. But, by the casting vote of the Speaker, the proposal was negatived, the opposition contending that it would be dangerous to allow the forts to be erected, as they might be used by the sovereign as a means of subverting the liberty of the people.‡

After war broke out, numerous forts were hurriedly built, at home and abroad, and some nine millions of money were expended on them. But their erection was carried out with so little method and so unscientifically, that in 1817 a Commission advised that the forts were useless, and that no further expenditure should be incurred in maintaining them.¶ In the eyes of the Commissioners a powerful fleet, and an armed and trained population, afforded a better security than the most perfect system of lines and towers. The forts were, therefore, allowed to fall into decay; but at the same time the powerful fleet gradually dwindled away, the sword was turned into a ploughshare, and military training was suspended. Hence, when Europe again resounded with arms, the insecurity of the position of England had caused occasional invasion panics, and successive Governments had more than once almost made up their minds to do something to strengthen the national defences, but nothing had actually been done except to re-create the militia force in 1852.

* See *P. P.*, 13 of 1882.

† See Evidence of Major-General Alderson, Director of Artillery, before Select Committee on Army and Navy Expenditure, 1887. *P. P.*, 259 of 1887; Q. 7324–39.

‡ *H.*, Feb. 27, 1796. See Gifford, chap. vii.; Tomline, ii. 117; Stanhope, i. 228; Massey, iii. 298.

¶ Finance Committee of 1817; Report on Ordnance. (See *P. I. & E.* ii. 682.)

Lord Palmerston had always been one of the chief advocates of the policy of defence: now his opportunity had come, he was in power, and public opinion was ripe. The danger to be chiefly guarded against was not that of invasion. No system of fortification could prevent the landing of a hostile force; forts could not be erected all along the coast, but they could be placed where they would prevent surprise, and prevent disaster. The proposal, now made, was to fortify the dockyards and arsenals. Steam had bridged the Channel, and in a few hours a fleet—the French fleet, for it was France that was in the mind of the speaker, as in that of his hearers—could cross the Channel, and by a *coup de main* destroy these places. “The dockyards and arsenals destroyed, your navy,” exclaimed Lord Palmerston, “would be cut up by the roots; there would be no means of reconstructing or refitting the fleet; and,” cried he, “if ever we lose the command of the sea, what becomes of our country?” All nations were fortifying, and strongly fortifying, their naval arsenals; and was England alone to remain defenceless?

The existence of the forts would, it was argued, in no way necessitate an increased army, but, on the contrary, would relieve the army of much of its work, for the forts could be manned and defended by the auxiliary forces. The dockyards defended by forts, the fleet would be free to act on the offensive,—“with full vigour and effect,” as Pitt said in 1786. Above all, the existence of the forts would save many a war panic, under which the nation would otherwise suffer. These arguments would have been weighty at any time, and in the temper of the moment proved irresistible: the money required was voted, almost without a murmur.*

“If the forts are necessary,” said Lord Palmerston, “they are

* Mr. Bright strongly opposed the scheme; and it was an open secret that the Chancellor of the Exchequer was also very hostile to the proposal. In a letter to the Queen (May 24th, 1860) Lord Palmerston said he hoped to be able to overcome Mr. Gladstone's objections to the proposed fortification scheme, “but if it should prove impossible, however great the loss to the Government by the retirement of Mr. Gladstone, it would be better to lose Mr. Gladstone than to run the risk of losing Portsmouth or Plymouth (*Prince Consort, Life*, v. 99). Palmerston, who had a poor opinion of everyone who did not see through his spectacles, wrote later to the Queen (July 23rd) to inform her that Mr. Gladstone had told him that though he acquiesced in the course proposed for that year, he held himself free to take such course as he thought fit when the question came up again. To this Lord Palmerston said he had agreed, and added, “That course will probably be the same which Mr. Gladstone has taken this year—ineffectual opposition and ultimate acquiescence” (p. 148).

necessary as soon as we can get them. They are necessary for the present time; and it would be folly to postpone for eighteen or twenty years the completion of defences, against dangers which I hope may not arise; but dangers which we may contemplate as possible, and which, if possible, may be possible in the course of a comparatively short space of time." And the nine millions were granted in haste, on a sultry August evening, members almost picturing to themselves a filibustering expedition, which might even then be issuing from a French port to destroy England's naval base. Lord Palmerston himself, no doubt, believed at the time that the forts could and would be finished within three or four years. And it was because he desired to facilitate their rapid completion, that he proposed to raise the money, as it was required, in the form of terminable annuities, and not in the form of annual votes; for fear lest the outlay, if spread only over a few years, might prove too burdensome. And what was the upshot of the matter? The forts were to be finished within three or four years; and yet, in 1887, we read that they are indeed "complete, but are still unprovided with guns."* What a satire on the extreme haste of seven-and-twenty years ago, and what a commentary on the way in which things are managed at the War Office!

The public mind oscillates between extremes. Unaccountable panic and unreasonable haste are often followed by equally unaccountable confidence, and equally unreasonable supineness. The panic of 1860 soon wore off, the fear of immediate invasion faded into the background; and, in 1862, when a second instalment of the loan, to the amount of £1,200,000, was asked for, the feeling of alarm had greatly subsided, and the country was beginning to count the cost of its enormous military outlay. Moreover, while a short time before the fort had been looked upon as invulnerable and invincible, the ironclad had now suddenly become in the public mind more than its equal. The Confederate ironclad *Merrimac* had lately run the gauntlet of the Federal forts, and, unscathed herself, had destroyed half the blockading fleet, when the ironclad *Monitor* had come to the rescue of the wooden vessels, and the two ships for a long time

* Lord Brassey, *The Navy, Reign of Queen Victoria*, 1887 (p. 269).

engaged one another at close quarters, apparently without hurt to either, the shot rattling harmlessly, like hail, off the iron plates.* What, then, it was asked, was the use of forts, if ships were now to be constructed, impenetrable to shot and shell, that could run past them with impunity, and destroy the dockyards and arsenals at their leisure; ships, it was argued, would have to be met by ships.

By 1863 opinion had again veered round. The powers of defence were again clearly getting the better of the powers of attack. Since the last debate the *Merrimac* had proved to be nearly useless, and had had to be destroyed in order to evade capture; the dreaded *Monitor* had gone incontinently to the bottom in a gale of wind; the *Warrior's* experimental targets had been easily pierced; some Federal ironclad gun-boats had attacked the forts of Charleston, and had been repulsed with loss. So the vote for the additional money passed without difficulty. Year by year further votes were taken, and the fortifications continued slowly to rise, the public quickly ceasing to take any interest in them. In one respect it was fortunate that the folly of postponement was committed. The forts, if they had been completed in those first three or four years, would, by now, be about as effective for defence as Pitt's Martello Towers. For while they have been slowly rearing their heads, science has been busy year by year in improving defensive, as well as offensive power; and the delay in completion has enabled the power of the forts to be continually improved and multiplied.

Meanwhile the cost of the necessary armaments and fittings has enormously increased. The original estimate for the armaments was half a million, a sum which, in 1860, would have provided "2,500 pieces of artillery, at an average of £200 each."† But £200—as the Secretary of State for War pointed out in his memorandum for 1887—"it is scarcely necessary to observe is now about the cost of a single shot from one of our big guns."‡

What will be the ultimate cost of arming the forts; by what date they will be fully armed and ready to receive the enemy, no one seems to know. Two hundred years ago, when the Dutch

* See note I. 270.

† Report of Royal Commission, 1860; *P. P.* [2682], p. 20.

‡ C. 4985, 1887, p. 7.

sailed safely up the Thames—and Pepys “feared him much that the whole kingdom was undone,”* Denham sang,—

“The forts designed to guard our ships of war,
Void both of powder and of bullets are.”

It is to be hoped that history will not repeat itself in the matter of the forts begun by Lord Palmerston eight-and-twenty years ago.

* Until, getting his money out of the bank and packing it off with his father and wife into the country, he felt more comfortable, and turned to his flageolet “with pleasure, but with a heavy heart.” (*Pepys' Diary*, iv. 366 (ed. 1877).)

CHAPTER XIII.

THE PAPER DUTY.

1861.

THE immediate financial results of the year 1860 were disappointing. The expenditure was very high (£72,840,000), and though there was an apparent saving on the total amount voted (£73,530,000), it was not a saving in the proper sense of the term, for though some three quarters of a million of the vote of credit had not been expended, the expenditure had been merely deferred until the coming year. The ordinary expenditure—excluding the debt charge, and after adjustment*—was, by about two millions, in excess of that of the previous year. On the other side of the account, the revenue had in some important particulars failed to come up to expectation. The Budget estimate had been £70,500,000, raised in July to £72,250,000. The actual result was a receipt of but £70,280,000—a deficiency of no less than two millions. With an expenditure of £72,840,000 and a revenue of £70,280,000, the year had ended with a realized deficiency of over two millions and a half. Truly a complete financial justification of the action of the Upper House in regard to the paper duties!

Much of the deficiency in the revenue was directly or indirectly attributable to the disastrous harvest of 1860. The seasons had been most unfavourable. The crop was the worst, it was said, since the black days of 1845 and 1846:—

“The summer and autumn had been so wet,
That in winter the corn was growing yet.”

* The “after adjustment” includes any deficiencies voted in subsequent years; the term “ordinary expenditure” implies that roughly all war expenditure included in the army and navy estimates or expenditure has been deducted, as well as the Indian charge, “and that the adjustments have been only made.”

A bad harvest, as we have already had occasion to remark, is not now-a-days necessarily followed by such a deficiency of revenue, as used to be the case in the days when the agricultural interest was proportionately so far more important.* But, even now, a bad home crop, by absolute destruction of capital, has considerable adverse effect; and, in 1860, the resources of the country were yet in a condition to be seriously affected by a failure of the harvest, especially when the failure extended to barley and hops as well as to wheat.

The shortening of the hop and malt credits was to have produced in the year some £1,410,000; the actual result was a yield of but £778,000; while the ordinary receipts from the malt and the hop duty were considerably less than usual. The failure of the barley crop, combined with the consequent depression, had also injuriously affected the yield of the duty on British spirits. The additional Custom and Excise spirit duties imposed in July were to have yielded together £1,050,000 in the year, of which £650,000 was to come from British and £400,000 from foreign spirits. The latter portion of the duty had been duly received; but the total yield from the excise duty, instead of being by £650,000 greater, was by half a million less in 1860 than it had been in 1859—a falling off of a million and a quarter of revenue.† But while the Excise revenue was thus suffering from the deficient harvest, the very disaster was benefiting the Customs revenue. The imports of foreign spirits showed a considerable increase, while the yield of the ‘registration duty’ on corn had risen from about half to nearly a million. The imports of corn in 1859 had amounted to but 37 million cwt., in 1860 they rose to 52 million cwt.; and the bad harvest of 1860 being followed by yet another two, the imports rose to 71 millions of cwt. in 1862. Imports which did much to temper to the consumer the otherwise disastrous results of a succession of deficient harvests.‡

* Tooke, in his *History of Prices* (iv. 1), says that, in old days, it was not only the farmer who watched with painful anxiety the state of the weather at certain periods; but throughout the country, and especially in the money market, “every passing cloud indeed may at those periods be said to have had some effect on the prices of public securities, &c., in consequence of the apprehensions entertained of the unfavourable influence of high prices, and of large importations of corn, on the rate of interest, and on banking accommodation.”

† Partly due to anticipatory deliveries in 1859. See *I.* 251.

‡ The average price of corn in 1860 was 53s. 3d.—highest, 60s. 4d. in September; lowest, 43s. 11d. in January. In 1861, average, 55s. 4d.—highest, 60s. 11d. in

Not only was there a great deficiency of revenue due to a deplorable harvest; but, generally, the great burden of taxation under which the country was groaning,* and the disturbance to Eastern trade caused by the Chinese war, and to trade generally by the fear of European complications, had told adversely against the expansion of that consumption on which the revenue depended. And thus in 1860, as in 1842, instead of an immediate general advance in the revenue following on fiscal reform, there was in the year itself an actual retrogression. But in the second period, as in the first, the pause was only momentary, and within a few months, trade, consumption, and consequently revenue, were again making rapid progress. And indeed a mere comparison of the results of one particular twelvemonth with another, in order to estimate the advance or retrogression that the revenue may have made, is but misleading. Many disturbing causes—some visible, others invisible—may exist in the one case which are non-existent in the other, and the only comparison that can be made with any soundness of basis, is one extending over a series of years.

If the general results were somewhat disappointing, it was apparent, when considered in detail, that the tariff reforms of the previous spring had been at once followed by their legitimate consequences. The figures as given by Mr. Gladstone were certainly remarkable. Of articles imported on which the taxation had been increased, the total value had fallen $17\frac{1}{4}$ per cent. in 1860, as compared to 1859—from £2,900,000 to £2,400,000. In the value of the imports of those articles on which taxation had been left untouched, there was a trifling decrease—£138,155,000 to £137,400,000. In the case of articles on which the duties had been reduced but not removed, there was an increase in value of $17\frac{1}{2}$ per cent.—from £11,350,000 to £13,320,000. Lastly, in the import of articles on which the duties had been wholly repealed, there was an increase of no less than $40\frac{1}{2}$ per cent.—from £15,735,000 to £22,060,000.

December; lowest, 54s. 2d. in March. In 1862, average, 55s. 5d.—highest, 61s. 4d. in January; lowest, 46s. 4d. in December. The highest prices were reached at the end of 1861 and beginning of 1862. In 1863 the average price was 44s. 9d.; in 1864, 40s. 2d.; in 1865, 41s. 10d.

* "A year," said the Chancellor of the Exchequer, "of the highest taxation, and of the highest expenditure that had ever been known in England, unless in the midst of a European war."

For 1861* the total estimated expenditure amounted to just under seventy millions, of which £68,900,000 was for ordinary, and one million for extraordinary expenditure, on account of the Chinese war.† The expenditure, thus estimated, was simply the expenditure for the current year, and did not include either the deficiency of the previous year, amounting to two millions and a half, or a further million of war Exchequer bonds, which fell due in the year. The revenue, on the basis of the taxation in force in the previous year—that is, including the extra duties on the tea and sugar, and the income tax at 10*l.*—was put at £71,823,000,‡ leaving an estimated surplus of two millions.

In 1860 it had suited the exigencies of the Budget scheme of the Chancellor of the Exchequer to magnify the deficit, by assuming in his estimate the loss of the income tax, and of the extra duties on tea and sugar. In 1861, though the tea and sugar duties and the income tax had only been renewed for a year, and therefore stood legally on exactly the same footing as in 1860, Mr. Gladstone, whose scheme now necessitated an apparent surplus, varied the position by assuming their renewal.||

* Budget Speech, *II.*, April 15th, 1861.

† In the sequel £1,230,000 was spent in the year on the Chinese war, out of the votes of credit, of which £756,100 was met by the re-issue of the balance of the vote of credit the previous year, and £473,900 out of the above vote of credit, the balance of which, namely, £526,100 unexpended, was surrendered to the Exchequer in 1863. See *II.* 243, for “Votes of credit.”

As an offset against the additional million to be spent on winding up the Chinese war, it was expected that three-quarters of a million would be received in the year as the first instalment of the Chinese indemnity, a broken reed, on which, in spite of manifold warnings, the Chancellor of the Exchequer persisted in leaning. The actual receipts of the year were considerably less, and the claims of the merchants considerably larger than were expected, and the Treasury, instead of £750,000, only received £266,000.

‡ The estimate of the “tax-revenue” was £65,860,000, against an actual receipt (including the £780,000 of malt credit) of £65,140,000 in 1860, an increase chiefly due to the greater arrears of income tax due in 1861 as compared to those collected in 1860, in consequence of the increased penny imposed in 1860, and to the fact that the whole of the additional taxation imposed on spirits in the previous year would now come into force. The minor changes of the year—the doubling of the chicory duties, a small alteration in the beer and spirit licences, and a few minute changes in the stamp duties—added £50,000, which was included in the estimate; and a change of account—the salaries of the district registrars under the Court of Probate were in future to be voted instead of being paid by fees, while the fees would be received into the Exchequer—another £50,000 to the revenue. Contrary to the prevailing practice of the time some considerable allowance was made for an expected general improvement of revenue in the coming over that of the previous year.

|| “It is curious to watch the camel when he is being laden. If his burden is beyond a certain weight he begins to growl and refuse to move. The natives use the stratagem of greatly exceeding the proper weight so as to make the relief appear the greater when they take some of it off, and thereby induce the animal to get up

In 1860 the proposal to repeal the paper duty had been rejected, ostensibly because the proposal was simultaneous with the imposition of an extra penny of income tax. In 1861 its repeal was to be again attempted, and the proposal was now to be combined with the simultaneous remission of a penny of income tax. But to give back a penny, it was necessary to assume the existence of a tenpenny tax; while it was naturally pleasanter to figure as remitting a million of direct taxation, and along with it a million of indirect taxation, than as imposing a couple of millions on tea and sugar, and nine or ten millions of income tax.

And, indeed, the unusual mode of estimate was that adopted in 1860, not that adopted in 1861, for, as a general rule, the Chancellor of the Exchequer bases his first estimate of revenue for the coming year on the taxation in force during the previous year. To this rule there have been a few exceptions. In 1858, Mr. Disraeli, as we saw, preferred to take the income tax at 5*d.*, instead of at the 7*d.* of the previous year. In 1868, Mr. Ward Hunt took the income tax at 4*d.* instead of at the 5*d.* to which he had raised it the previous November. Similarly, in 1885, Mr. Childers took the same tax in his estimate at 5*d.*, instead of at the 7*d.* to which it had been raised the previous autumn.

The income tax for 1861 was, therefore, to be taken at 10*d.* The tea and sugar duties were to be re-imposed at the old figure—re-imposed provisionally for another year only, with the hope that diminished expenditure and elastic revenue would soon enable the Chancellor of the Exchequer to give the long-deferred relief. Tea and sugar had suffered many things; it was hard that they should be again passed over, but it was clear that they could not expect relief this year. The surplus was under two millions, and the income tax, in regard at least to the extra penny (involving a million of revenue), had claims for remission prior even to theirs. Then the uncertain outlook caused by the American Civil War, and the precarious nature of the Chinese indemnity, made it necessary to keep in hand a substantial surplus. But the tea duty was producing five millions and a half, the sugar duty six

more willingly. 'Exactly,' I ventured to observe to his Majesty, 'as we do with the delegations and the war budget!'" (Count Beust, *Memoirs*, ii. 147-8.)

and a quarter millions a year; and, after the reduction of the income tax, only about £600,000 or £700,000 of revenue was still available for remission. A sum not nearly sufficient in the case of either the tea or the sugar duties, to have attained the objects aimed at by a reduction of duty on an article of general consumption, diminished price to the consumer, increased consumption, and recuperation of revenue.* On the other hand, the paper duty yielded some £1,200,000 to £1,300,000 a year only, and, by delaying the actual repeal until October, part of the loss could be thrown on to the following year, and the surplus available would suffice to meet the loss of revenue entailed in the current year.

Again, excise duties are in themselves more vexatious and more hampering than customs duties, necessitating as they do strict supervision, minute regulation, and uniformity of process in manufacture. The question of intoxicants—practically the only articles on which excise duties are now levied—stands apart by itself; but an excise duty on such an article as paper, seriously obstructs improvement, and variety in manufacture, as well as the extension of its use in combination with other manufactures.† Like all excise duties, the duty on paper was expensive to collect, involved the costly complications of a “drawback” on export, and was liable to fraudulent evasion; while the proved impossibility of defining what was and what was not “paper,” for purposes of taxation, had given rise to endless disputes and difficulties.‡ The duty was a uniform one; pressed most heavily on the cheaper forms of paper—those used especially by the working classes—and fell with peculiar force upon the cheaper forms of literature.

* See *I.* 302.

† Paper was already used in no less than 69 different trades and manufactures, every one of which were adversely affected by the existence of the duty.

‡ The Commissioners of I. R. in their report for 1857 took a somewhat more favourable view of the duty than that taken by the Chancellor of the Exchequer. “If the objections,” say they, “so constantly urged against the paper duty were such as we are accustomed to hear most insisted upon in the case of excise duties generally, namely, their restrictive and oppressive incidence on the manufacturer, the advocates of the abolition of the tax would find it difficult to make out their case. There is scarcely any duty in the collection of which our interference is so little felt, and in which we are so continually adapting our regulations to the wants or wishes of the trade.” But a tax seldom seems as oppressive to those who collect as to those who have to pay it. See the remarks of the Commissioners on the Hop Duty (*I.* 289, *n.*), and the Malt Duty (*II.* 281, *n.*).

The repeal of a tax is no doubt a much more serious matter than its mere reduction. Once repealed, a tax can scarcely be reimposed, and thus revenue is at one entrance quite shut out. But, on the other hand, if a tax be in itself bad—and the paper duty was an abominably bad tax—to repeal it is not merely to remove the burden of taxation, but to remove also a drag on the industry of the country. Abolition is, moreover, a more economical proceeding than mere reduction. Reduction does not as a rule diminish the cost of collection, which, if the duty be very much reduced, may—as in the case of sugar in 1873—come to bear an undue proportion to the receipts; nor, unless the weight of the duty be excessive, does it appreciably lessen the friction and inconvenience caused by the tax. Abolition frees the trade from every restraint; gets rid of the cost of collection; and secures that the greater part, if not all, of the taxation formerly exacted, and now relinquished, as well as the saving on collection, shall go back into the pockets of the general public—the consumer.

If, on general fiscal grounds, the argument was in favour of the repeal of the paper duty, still more was this the case from the political and financial point of view. Financially, the state of uncertainty in which the question of repeal had been left in consequence of the unsettled dispute between the Lords and the Commons, had disorganised and injured the trade. Politically, it was important to put an end to the controversy between the two Houses of Parliament. The Upper House had refused to repeal the paper duty at the expense of a penny of income tax; they could now sanction the repeal, coupled with the remission of a penny. They had objected to the repeal when the loss of revenue would probably have entailed a deficit; they could now assent to it, when, over and above the loss of revenue caused by the abolition of the duty, there would be a *bonâ fide* surplus of nearly half a million.

The remission of a penny of income tax would cost the revenue £1,100,000, of which £850,000 would disappear in the current year. The repeal of the paper duty for a whole year would cost £1,215,000; but the repeal was not to take effect before October, and only some £690,000 of revenue would be lost in 1861. Along with the repeal there would be a saving of £25,000 a year in

establishment charges;* so that the actual deficiency on the current year would be £665,000; which, added to the loss from the income tax, gave a reduction of revenue of a million and a half, and left a surplus of about £400,000, which was to be carried forward.

From the fiscal point of view the paper duty was by far the worst duty still levied; and the only thing that could be said in its favour, was that it constituted a fruitful and increasing source of revenue. The duty on paper was the last of those pernicious excise duties on home manufactures of general consumption, which dated from the beginning of the eighteenth century, and which were due to the exigencies of the war of the Spanish Succession. Paper, printed and dyed silks, linens and calicoes, soap, starch, candles, leather, playing cards and newspapers, together with advertisements, were all selected for taxation in 1710 and 1712.† Some ten years later a tax on silver plate was added, and after another interval, that, in 1745, on glass. North, in addition to his "general levies," turned his attention chiefly to the imposition of stamp duties, initiating the assessed taxes. The "Coalition" Ministry in 1783 added the excise duty on quack medicines. To these, Pitt, in his earlier years, added excise duties on bricks, tiles, stones, and slates, as well as on bats, gloves, mittens, tooth powder, hair powder, perfumery and pomatum—the latter impositions being, however, very soon repealed.

The loss of the income tax and the war malt duty, in 1816, prevented for some years the repeal of the remaining excise duties. The first to go was that on stone in 1823; followed by that on printed silk in 1826. Leather was emancipated in 1830. In 1831, when the remaining duties were still producing about

* The repeal of the paper duty ultimately permitted the abolition of 183 offices in the excise establishment, with a saving in salaries amounting to £26,000 a year, together with a saving of £2,500 in stationery. (Report I. L. R. Com., C. 82, 1870, p. 44.)

† See Dowell's interesting account of the taxation of this period, iv. 287-466. Excise duties on glass, soap, starch, &c., were imposed at the time of the original imposition of excise duties under the Commonwealth. But though—as Macaulay says—"the Cavaliers condescended to take a lesson in the art of taxation from the Roundheads," these particular duties were not reimposed. During the next fifty years, though attempts were from time to time made to re-introduce some of them, the different proposals were successfully resisted, or the tax, if imposed, was soon repealed.

five millions a year, the taxes on candles, "printed" goods, and slates were repealed. In the next few years those on tiles, starch, and stone bottles followed. Then came a pause, and it was not until after the re-imposition of the income tax that the fiscal reforms, which its repeal in 1816 had done so much to delay, could be carried into effect. Peel devoted his first energies and his first surpluses to the customs tariff, and it was a year or two before the excise duties came under review, when in 1845 the duty on glass was repealed. The duty on bricks followed in 1850, that on soap in 1853, that on advertisements in the same year, and on newspapers a couple of years later. The latest left of these excise duties on manufactures was now to disappear,* and the "tax on knowledge" was to follow into limbo the taxes on "light," on "air," on "cleanliness," and on "health."†

The duty on paper was levied at the uniform rate of $1\frac{1}{2}d.$ a pound on all kinds of paper, plus the additional five per cent. of 1841, and was producing about a million and a quarter a year.‡ The repeal of the duty removed taxation not only from "paper" in the ordinary acceptance of the term, but from paper hangings, pasteboard, prints, drawings, books, etc. Its abolition did much to strengthen and invigorate the trade and manufacture, and to enable "paper" to be applied to many other purposes which before were practically prohibited.|| In 1860 the total imports of foreign paper (for printing or writing)** were 61,000 cwt., and of the raw material, rags,†† 16,000 tons; in 1886 the paper

* The duties on playing-cards, plate, and patent medicines we still have with us (see *Appendix J.*); that on dice was repealed in 1853.

† "When I hear people talk of taxes as obstructions," said Sir S. Northcote in 1874, when discussing the "tax on locomotion," "I am instinctively disposed to button up my financial pocket." Budget Speech, 1874.

‡ Originally imposed in 1712, the duties were altered more than once between that date and 1781, in which year, when the yield was about £20,000, a system of classification was adopted, under which no less than seventy-eight different rates were charged on different descriptions of paper. In 1794 the system of charge was simplified, and in 1803 the duties were reduced to three, and the rate of $3d.$ for "first," and $1\frac{1}{2}d.$ for "second-class" paper, together with a charge for "glazed" paper. By the close of the war the yield was about half a million. These high rates of duty were maintained until 1836, when the duty was reduced—at a loss of £300,000, the whole yield being then about £850,000—to the $1\frac{1}{2}d.$ a pound at which it stood in 1861.

|| We are now told that when a certain new explosive is brought to perfection, our very cannon will be made of paper. Paper bottles are used in America.

** The imports of "other paper" are not given in the "Statistical Abstracts" previous to 1872.

†† It had, in 1860, been freely prophesied, as Mr. Gladstone said, in "tragical, almost funereal" tones, that the result of the change of duty would seriously affect

imported amounted to 300,000 cwt., and the imports of the raw material had increased much more in proportion, to 350,000 tons. The exports of paper have in the same period risen from 112,000 cwt. to 738,000 cwt.

the trade in "foreign rags," and end in the "almost total banishment of this valuable article from our markets."

Punch cleverly took off this phrase in one of its cartoons (April 7, 1860), in which—affairs in Naples, Paris, and Rome being somewhat disturbed—under the head of "A Glimpse into the Future, a probable and large Importation of Foreign Rags," he pictured "Bomba," Napoleon III., and the Pope landing in a very dilapidated condition on our shores.

CHAPTER XIV.

THE AMERICAN CIVIL WAR.

1861—64.

THE American Civil War, which broke out in the beginning of 1861, and lasted until 1865, in many ways seriously affected the policy, the finance, and the trade of England. Considerable direct money outlay was involved by the *Trent* affair, and by the *Alabama* bungle. The whole Anglo-American trade was seriously affected by the war; and, during the first two or three years, the almost complete stoppage of the import of American cotton paralysed the cotton manufacturing industry in Lancashire, and so caused very acute distress among the operatives engaged in it.

The Civil War of Secession was scarcely unexpected, though war always comes as a surprise. For some time it had been inevitable. Representation under the American Constitution went in proportion to population—negroes, however, being only reckoned at three for five—and while the population of the Northern States had been very rapidly increasing, that of the Southern States had been almost stationary. Political predominance and power were thus gradually passing from the South to the North; and the Southerners feared that if their own predominance disappeared, sooner or later there would be an end to the “law of God” by which each was allowed to do what he liked with his own.

The election, in 1860, of Abraham Lincoln, a typical Northerner, as President, was to the South the handwriting on the wall. Thinking “they would be better out of the Union than in it,”* eleven of the States, led by South Carolina, in the closing

* Ticknor's *Life*, ii. 430, Nov. 1860. See an interesting conversation of Senior's *Conversations*, 1860-3, ii. (3), with Mr. Holtze, sent to England by Jefferson Davis.

days of 1860 and the beginning of 1861, one after the other, declared their legal right to secede, announced their secession from the Federal Union, with their determination to defend their secession by force if necessary. For the moment it seemed as though the seceders would be allowed, without armed opposition, to break up the Union, and as if the "incompatibility of temper" that existed between North and South would be acknowledged. But the wilful or accidental act of belligerency of the Confederates in firing on a Federal transport conveying troops to Fort Sumter, in Charleston Harbour, put an end to all chance of a peaceful solution, and the dispute had of necessity to be fought out to the bitter end.

At first the South, though always numerically the weaker, were better prepared, better trained, organised, and generalled than the North; perhaps had their heart more in the work; and for many months they obtained the advantage. Indeed, for a couple of years, hardly anyone, outside the Northern States, believed that the North would be successful in subduing the South and in forcing them again into the Union. As late as 1863, the English leaders on both sides, Lord Derby and Lord Russell, Mr. Disraeli and Mr. Gladstone, freely expressed the opinion—with some the wish was perhaps father to the thought—not only that the North could not subjugate the South, but that, even if they could, it was impossible that the "Union" could be restored.*

But weight told in the end. The North had the three essentials, men, ships, and money. They were, from the first, masters of the sea and of the coast line. For one moment the phenomenal success of the *Merrimac* gave a gleam of hope to the blockaded Southerners; † a hope that lasted only for a moment. And after

* In an address on "Sir Stafford Northcote," delivered by Lord Coleridge at Exeter, and republished in *Macmillan's Magazine* (January, 1888), he states that Sir Stafford Northcote firmly believed in the success of the North, and strongly advocated its cause. "I do not know," adds Lord Coleridge, "but I imagine that it was his strong sympathy with the Federal cause, and his sense of the reparation we owed to America, which led him to place his great abilities at the service of his country as one of the Commissioners of the Treaty of Washington, though the Treaty was negotiated by a Government to which he was politically opposed. And I can never forget the unbroken dignity with which he sustained remarks upon himself, and the spirit with which he repelled attacks upon the provisions of the Treaty, made, I must say, with complete impartiality from both sides of the House of Commons."

† There is a very graphic account of this—the most "dramatic," and to a civilian Englishman the most interesting, incident of the war—in *Harper's Magazine* for March, 1885. If it had not been for the marvellously opportune arrival of the

the destruction of the *Merrimac*, the North had no further difficulty in effectively blockading the Southern ports, and in thus depriving the Confederates almost altogether of outside sustenance; while they themselves, in spite of the depredations of a few cruising pirates on the high seas, had an open seaboard and ready means of obtaining supplies. Slow to move, they were at first less successful on land, and it was some time before they were able to train their legions, cashier their inefficient generals, and bring their full force to bear. But gradually the tables were turned, the Southern forces were rolled back, and the North became the invaders. The Confederates, exhausted and blockaded, their fighting strength greatly reduced, with no money and no credit, deficient in arms and munition of war, ragged, starved, wearied, and hopeless, were no longer able to make head against the well-fed, well-paid, and well-clothed troops of the North. Though struggling on, long after all save honour was lost, the end came at last, and in April, 1865, Lee surrendered to Grant, and Johnson to Sherman. Thus ended the fratricidal war, a contest which the Federal Government had boasted would be finished in ninety days, but which had lasted twice as many months.*

The North had won a great triumph, a triumph which would perhaps have been greater still if the victors had used it in a somewhat more generous and forgiving spirit. But Lincoln, whose prudent and courageous counsels were needed by his country in the hour of victory even more than in the hour of strife, died by the hand of an assassin just as peace was concluded—an irreparable loss to friend and foe.

Monitor in Hampton Roads the morning after the first appearance of the *Merrimac*, she would have completed the destruction of the Federal squadron, raised the siege of Richmond, and perhaps changed the fortunes of the war. As it was, her exploit of March 8, 1862, resulted in the mere useless destruction of a few wooden ships; and within a very short time she had to be run ashore and blown up to prevent capture.

* According to an official report by the War Department of Washington, the North lost by death some 320,000 men, and the South it is estimated some 200,000. There were over 2,000 skirmishes and battles. The positions were so stubbornly contested, that in many contests in the Civil War the casualties on each side reached 30 to 40 per cent. of the combatants. At Waterloo the loss of the English was but 12 per cent. of the whole force engaged.

The debt of the United States in 1860 had been only £16,000,000; in 1865 it was £580,000,000, bearing an average rate of interest of nearly 7½ per cent. The revenue in 1860 was under £16,000,000, in 1865 it had been raised to some £112,000,000. By 1887 the debt had been reduced to £248,000,000, bearing interest at an average rate of a little over 3 per cent.

The sympathy generally felt in England for the South in no way meant that English abhorrence of the system of slavery was weaker than it had been a generation before, but simply that the English people did not recognize that the question of secession necessarily involved the question of slavery. They could point to Lincoln's own frank admission, that he would have tolerated slavery to prevent secession, and that he was not fighting for the abolition of slavery, but for the maintenance of the Union.* They could point to the fact that at first the North espoused the cause of the slaves but feebly, and did not declare for freedom until it seemed that emancipation would serve them as a cry against the South. The war was indeed not fought in order to abolish slavery, but slavery disappeared because of the war.

The British public regarded the question of secession as a high-spirited attempt on the part of the free-trade Southern "gentlemen" to free themselves from the overbearing domination of money-grubbing protectionist Yankees. Some Englishmen were perhaps glad to believe that the "bubble Republic had burst;" others—rather inconsequently, since it was the Southerners who had uninterruptedly ruled the roost at Washington for over thirty years—were not sorry that a Power which had so often in the past been troublesome and domineering, and whose diplomatic language had been more forcible than select, should suffer a check. Many, again, realizing that the States were becoming England's greatest commercial rival, were in their hearts not sorry that she should be broken up.

The feeling of sympathy for the South, and of antagonism to the North, was accentuated as the war went on by such acts as the wanton destruction of Charleston harbour; by General Butler's New Orleans proclamations; † by the language of the Northern press, and of Northern statesmen, against England;

* "My paramount object in the struggle," he wrote on August 22, 1861, "is to save the Union and not either to save or destroy slavery. If I could save the Union without freeing any slave I would do it; and if I could save it by freeing all the slaves I would do it." See also his Inaugural Address of March 4, 1861, printed in the *Times* of March 18.

† The attempted destruction of Charleston harbour by filling it up with stones was stigmatised by Lord Russell as a "barbarous act." The proclamation of General Butler directed against the women of New Orleans was, said Palmerston, "infamous, and had been read in England with a feeling of the deepest indignation." (*H.*, April 21th, 1862.) Such acts on one side of the Atlantic, and such phrases on the other, did not tend to diminish the friction.

by the *Trent* affair; and by the dire distress in Lancashire which ensued from the blockade. The Northern statesmen and the Northern press had, on their part, considerable justification for their abusive language. England, instead of sympathising with the North on anti-slavery lines, was wishing success to her slaveholding enemy; and was adding injury to insult by almost ostentatiously allowing Great Britain to be utilised as the "naval base of the Confederacy." They were angry because, as the English Foreign Secretary put it, England declined "to stigmatise the adherents of the South as rebels, and to hang the naval commanders of its cruisers as pirates." They complained bitterly because England, at a very early stage of the war, had recognized the belligerent rights of the South—thus proclaiming that the contest was not a rebellion, but a war—an unreasonable complaint, for the North itself had, before England moved, by its own declaration of blockade, acknowledged these very rights.*

The Northerners denounced the English, the English returned the compliment, and in the midst of these strained relations came the *Trent* affair. A hot-headed Yankee captain, in the autumn of 1861, illegally boarded an English ship and took prisoners from thence the Confederate envoys Slidell and Mason. The Federalists applauded the capture—as was natural. The English—as was also natural—looked upon it as a gross outrage; and the passions of both nations were greatly inflamed. The English Government immediately demanded the release of the prisoners, and reparation for the affront, a demand in which they had the moral support of France, Austria, and Prussia. While the question of peace and war was thus pending, troops were dispatched to Canada, probably as much to show that England was in earnest in her demands, as to defend the Colony from a sudden attack, to which from her position she was eminently liable. The two nations were within an ace of war; but the good sense of Lincoln saved them from this dire calamity. The prisoners were released, though unfortunately, instead of a frank acknowledgment of error, the Federal Government gave

* The general feeling of somewhat unreasonable, though not unnatural irritation of the North against England, was well summed up in one of *Punch's* cartoons at the time, in which Columbia, stamping about in a pet, abuses Mrs. John Bull. "You shan't interfere—and you ought to be on my side—and it's a great shame—and I don't care—and you shall interfere—and I won't have it."

vent to its irritation in a grudging and argumentative apology, which left behind it a feeling of soreness on either side.

Then came the case of the Cruisers, in which the Federal Government had occasion over and over again to feel aggrieved at the supineness of the English Government. But, though they bitterly complained, they forbore to make the matter then and there a cause of war, and nursed their wrath against some future day, when they should be in a better position to enforce their complaint and to demand damages.*

Built in England by English capital, fitted out with English armaments, touching and refitting at English ports, flying the English flag, either to attract victims or to elude capture, these cruisers devastated American commerce; and so effectually did they fulfil their sinister mission, that though they probably did not help to prolong the war by a single day, they practically destroyed the American shipping trade—a destruction from which, thanks to a protective system, it has never since recovered. Pirates these cruisers were in all but name. Carefully avoiding any ship which could meet them on at all equal terms, they preyed on defenceless merchantmen. Having no port to which they could take their prizes, they burnt them on the high seas. And it was bitterly complained, that the signal which used to urge a captain to crowd all sail to the rescue—a ship on fire at sea—was now become for American merchantmen the signal for instant flight.†

The remissness in the case of the *Alabama* was great. But it ought to be placed to the credit of Lord Russell and Lord Palmerston (and we may add to that of Mr. Adams the American Minister as well) that during the four years of the war, in spite of all the manifold misunderstandings and disputes that arose,‡ and in spite of the intense bitterness which grew up between the two nations, they were successful in keeping clear of any serious quarrel with the States, and in carrying out a

* See II. 148.

† See McCarthy's *History of Our Own Times*, iii. 314.

‡ Especially did disputes arise in connection with the seizure of British ships as "blockade runners;" and it was in these cases a very difficult thing to arrive at the rights of the question. "There are many swift vessels," said the Foreign Secretary, "employed in running the blockade, the owners of which, if the ships are seized, put on the air of injured innocence and demand redress from the Foreign Office."

policy of strict neutrality. A neutrality which the Emperor Napoleon more than once urged them to break, by joining with him in active intervention in order to force the North to give way. As neutrals, the English Government was of course between hammer and anvil. They pleased neither party and offended both. To each their policy was one-sided. The North was furious because the belligerent rights of the South had been so hastily recognised; the South was angry because England refused to recognise her as a separate and independent Power. The North was exasperated because the *Alabama* was allowed to escape; the South considered themselves injured because the "Rams" were seized.

The irritation remained even after the close of the war; and was so considerable on the part of the Americans, that the English and Canadian Governments thought it prudent to do something towards the permanent defence of Canada. In 1865 the British Government agreed to expend £200,000 in fortifying Quebec, while the Canadian government undertook, at a cost of half a million, to fortify Montreal and the St. Lawrence, and to enrol and maintain a strong militia. In connection with the question of defence, that of Federation between the different Canadian provinces was mooted at the time, but it was not until 1867 that anything definite came of it. In that year Nova Scotia, New Brunswick, and the two Canadas, were federated into one Dominion; British Columbia, Prince Edward Island, Newfoundland, and Manitoba when formed, subsequently coming into the Union.

The chief immediate effect of the war on England was the intense distress in Lancashire, which followed the blockade of the Southern ports, and which struck a blow, for the time believed to be fatal, at the greatest and most flourishing of the manufacturing industries of the country.

The history of the cotton industry in England is interesting.*

* See, especially for the history of the cotton trade, Dowell, iv. p. 343, 448, etc.; Levi's *History of Commerce*; Baines' *History of the Cotton Industry in England*; Ellison's *The Cotton Trade of Great Britain*; Mr. Slagg's article on "The Cotton Trade and Industry" in the *Reign of Queen Victoria*, ii.; McCulloch's *Com. Dict. & Statistical British Empire*; Noble's *Fiscal Legislation, 1842-65*, c. ix.; Tooke, each volume; Porter, pp. 177, 581, 632, etc.; and (especially for the crisis) Mr. Arthur Arnold's *History of the Cotton Famine*.

The rapid growth and the prodigious magnitude of the cotton manufactures of Great Britain are, says McCulloch, beyond all question, the most extraordinary phenomena in the history of industry. Of considerably later origin than our other textile industries, it escaped the State encouragement and State supervision that did so much to cramp and enervate the woollen, the silk, and the linen trades of the country. A hundred years ago the trade scarcely existed. It is now the staple industry of the country, and the value of the exports of cotton manufactures have reached sixty-six millions sterling in a single year.* A hundred years ago we did not receive a pound of cotton from North America; the imports in 1886 amounted to one thousand three hundred million of pounds:† to the confirmation of Sydney Smith's saying that "the great object for which the Anglo-Saxon race appears to have been created is the making of calico."‡

In 1700 the imports (chiefly from the West Indies) of "cotton wool"—and by the import of the raw material, the growth of the industry can best be traced—amounted to no more than a million and a quarter pounds. Three quarters of a century later the imports were between five and six millions. Then began the revolution in the industry caused by the successive inventions of Hargreaves, Arkwright, Cartwright, and others, and especially by the application of Watt's invention—steam. By 1790 the imports amounted to over thirty millions, a figure that dwindled towards the end of the century.|| In 1820—by which time the factory system had, by the subdivision of labour and the concentration of superintendence, greatly economised power—the imports were a hundred and fifty million pounds. But these strides, though great, were soon surpassed, for by 1840 the cotton imported had

* In 1881. In 1886 the total value of the exports was £57,400,000.

† Cotton was for the first time imported from North America in 1791, when under 200,000 lbs. were received. Fifty years later, the exports to England had risen to 358 millions of pounds, which, after the reduction of the import duty in 1842, and its repeal in 1845, rose in the latter year to over 600 millions, the total American exports to all other countries aggregating another 250 millions.

‡ *Letters on American Debts*, 1843.

|| About 1787, the duty was first imposed on the import of foreign raw cotton, a duty that was considerably increased as the war went on, and was extended to cotton from British possessions in 1802. Subsequently reduced by Huskisson, it was wholly abolished by Peel in 1845—at a loss of between £600,000 and £700,000. The manufacture of cotton goods, at first somewhat discouraged, as a rival to woollen and silk, was subsequently artificially encouraged, by a bounty on exportation which was repealed in 1812. The duty on "printed calicoes," dating from the beginning of the eighteenth century, was repealed by Althorpe in 1838. See *l. 33 n.*

risen to no less than six hundred million pounds. In 1860 the figure stood at 1,390,000,000. In 1886 the total imports amounted to about 1,700,000,000 of pounds.

The "cotton famine," which had begun to make itself felt in 1861, became acute in 1862, and continued until the end of 1863, causing widespread destitution and distress in spite of the well-devised and admirably administered measures of public and private relief which were undertaken.

Lancashire was almost entirely dependent for her supplies of cotton on the Southern States of the Union. Out of the total amount of cotton imported in 1860, eighty-five per cent. was American. The disadvantage and danger of depending on one source of supply, and the advantages to be derived from encouraging the growth of Indian cotton, had often been discussed.* But Indian Surat cotton—"the pariah of the cotton trade," as Mr. A. Arnold calls it—was most unpopular.† It was neither so clean, so convenient, nor so cheap to manipulate as American cotton; and practically, when the "famine" came, little or nothing had been done to extend the fields of supply.‡

* At the time of the abolition of the duties on raw cotton by Peel, it was urged that their repeal would be practically giving a monopoly to the United States, and that it would be better to foster the cultivation of cotton in India, by a discriminating duty.

† Most people know the story of the minister (at the time of the cotton famine) praying for a supply of cotton, when the operative congregation added a loud response "But not Surat, Oh Lord."

‡ The imports of raw cotton (in millions of pounds) received from the States, from India, and in all were as follows :

	U. S. A.	India.	Total, including other sources of supply.
1860	1,116	204	1,391
1861	819	369	1,257
1862	13	392	524
1863	6	434	670
1864	14	506	893
1865	135	446	978
1866	520	615	1,377
1886	1,292	205	1,715

The other sources of supply are, in order of present produce, Egypt, the production of which has risen from 44 million pounds in 1860 to 170 millions now; Brazil, Peru, Chili, Turkey, Australia, and West Indies, etc.

It was many years before the American cotton trade recovered the effects of the war. But gradually it has been creeping up again, and the English supply from America is now again over three quarters of the whole.

By the middle of June, 1862, the total stock of cotton on hand, including a somewhat increased supply from India, only amounted to 290,000 bales, against 1,180,000 of the year before. In 1860 there had been imported from America over a 1,000,000 pounds of cotton, and in 1861 over 800,000,000 pounds. In 1862, 1863, and 1864, the whole amount received only aggregated thirty-four million pounds. Thus was Lancashire almost entirely deprived of the raw material on which her industry depended. Cotton rose to famine price. From an average of 7*d.* in December, 1859, the price of ordinary cotton rose first to about 12*d.* in the following year, then to 24½*d.* in 1862, and as high as 29½*d.* in October 1863, being at about 27¾*d.* in the December of that year.*

The number of persons one way or another engaged in the cotton industry amounted to some two millions, the operatives of all ages numbering about half a million, and the annual wages amounting in the aggregate to sixteen millions a year. By June, 1862, only 80,000 operatives were employed full time; the others were working half time, or even less, while many were already out of work. By December in that year, the operatives, or those dependent on them, in receipt of parochial or charitable relief numbered half a million. In March, 1863, the number had declined to 426,000; and by October, 1863, was reduced to 170,000. The total money loss to the district itself from the "famine" has been estimated at sixty-six million sterling.† Not only the operatives, but many small tradesmen and ratepayers directly dependent on the prosperity of the district, were rendered unable to pay the increased rates and themselves actually became subjects for relief.‡

As 1863 wore on, cotton from India and elsewhere was imported in sufficient quantities partially to meet the demand, and to diminish the distress; while, through migration and emigration, and by employment in different trades being found for many of the operatives, a considerable diminution had taken place in the

* The price is now (1887) about 9*d.* to 10*d.* a pound. In 1808, consequent on the "Orders in Council" and the "Non-Intercourse Act" of America, the price of cotton advanced from 9*d.* and 1*s.* to 2*s.* and 2*s.* 6*d.* (Tooke, i. 275).

† Slagg, p. 165.

‡ By November, 1863, the rate in some unions had risen to 8*s.*, 9*s.*, or 10*s.* in the pound. The rate in Glossop was 12*s.* 8½*d.* See Arnold, p. 320.

unemployed population ; nevertheless, work was still scarce and wages low.

From that time forward matters continued steadily to improve. But, throughout the war, the trade was paralysed, not only by the actual scarcity and high price of cotton, but by the great uncertainty that prevailed. At first a very strong belief was held—encouraged by the Foreign Secretary's declarations, that the contest would soon be over, and that the North would come to terms—that the end of the war was near. But still the war went on, and the longer it continued the greater became the uncertainty as to when its cessation would open the ports and flood the market with cotton.* Thus, even when supplies began to be more freely forthcoming, the manufacturers not unnaturally hesitated to commit themselves to large contracts at the prices then ruling ; and the period of depression was prolonged.

The distress was admirably and heroically borne, without agitation, without violence, without murmuring. The men behaved well, the masters behaved well, and the distress stimulated much kindly feeling between different classes, teaching each to recognise their mutual inter-dependence. The trial was endured with patience, resignation, and self-control, because the men knew and realised that their suffering was due, not to bad laws or remissness on the part of the Government or of the Legislature, or the "masters," but to circumstances beyond their control. Moreover, the men felt that they had the heartfelt sympathy of their fellow-countrymen both abroad and at home, in the distress under which they were suffering.

The Government did not, at first, propose to introduce measures of relief, preferring to leave the matter to the local authorities and to voluntary organisation and funds. But, ultimately, near the end of the session of 1862, Mr. Villiers, the President of the Poor Law Board, introduced a Bill, which, by enlarging, for a limited time, the area of chargeability from the parish to

* Some persons, Mr. Bright especially (*Collected Speeches*, i., pp. 237 and 251, &c.), more than once declared that it was the Confederate Government and not the Federal blockade which kept back the cotton. That while the Federals would have let it through, the Confederates burnt it, or stopped it, because they hoped and believed that the lack of cotton would cause so much injury and suffering to England as to force her into war with the North, in order to open the blockade. How far this assertion was founded on fact I do not know.

the union, lightened the rates in the most impoverished parishes; and at the same time facilities were given to the unions to borrow public money in order to meet the distress. In the following year, still further powers were given to the distressed districts to borrow money for purposes of public improvements. Under these Acts some three millions in all were advanced and spent on public works. Voluntary effort also, charitable in the best sense of the term, and most wisely administered, did a vast deal to deaden the shock and to relieve the distress. All parts of the Empire, all ranks, and all classes, came forward with cheerful liberality, and some two millions of money was subscribed for relief purposes.

The Session of 1862 opened amidst untoward circumstances. The premature and much lamented death, in the previous December, of the Prince Consort—who had lived down dislike and suspicion, and had shown of what stuff he was made—had cast a gloom over the country; the increasing distress in Lancashire was causing intense anxiety; the disagreeable *Trent* incident had only just been closed. The depression that reigned at the beginning was scarcely dispelled before the end of the session. Legislative action was almost at a standstill, and the financial measures of the year, unlike those of the two previous years, were uneventful and uninteresting.

The estimated revenue and expenditure of 1862 almost exactly balanced one another; the changes of taxation, so far as they affected the revenue, were minute, almost microscopic.* Only some fiscal changes of secondary importance, consequent on the reforms of the two previous years, were undertaken—"the residue of questions," as the Chancellor of the Exchequer called them, "usually remaining after periods of active legislation in matters of finance, and which may perhaps be compared to the swell upon the sea when the tempest has subsided."

The expenditure of 1861 had been considerably increased by supplementary estimates. In November, the Confederate Envoys had been seized, and an expedition of some 14,000 men having been thereupon despatched to Canada, a sum of £844,000 had been subsequently voted in the form of an addition to the army

* Budget Speech, *H.*, April 3rd, 1862.

and navy estimates.* In the previous July, a supplementary vote of £250,000 had been taken, the first instalment of a sum of £2,500,000 which was to be expended on building six "iron-cased" ships; the rapidity, real or imagined, of French naval construction being again the argument for the demand. A further sum of £130,000, added to the navy estimates, had been required for China; a realised deficiency of £206,600 on the army expenditure of 1859 had had to be made good;† a sum of £155,000 had been taken for the redemption of the *Stade dues*.‡

Thus the original estimate of £69,900,000 had been swelled by about a million and a half of unforeseen supplementary estimates, making the final estimate of expenditure £71,400,000. The actual expenditure amounted to £71,116,000, of which the extraordinary expenditure,—including under this term all the war expenditure beyond the ordinary army and navy expenditure—was £2,400,000, the Chinese war involving about £1,350,000, the Canadian expedition some £850,000, and the *Stade dues* £150,000. The reign of economy had not yet begun. While the expenditure had thus been increased, the revenue, on the face of it, had been unsatisfactory. Instead of £70,300,000, only £69,700,000 had been received, a deficiency of £600,000. Thus with an expenditure of £71,100,000, and a revenue of only £69,700,000, this year, like the previous year, ended with a deficit of nearly a million and a half.

The chief loss of receipts had been in the miscellaneous revenue

* Army, £609,400; Navy, £234,400. The whole expedition was sent out and landed in the space of three weeks.

† These deficiencies of one year requiring to be voted in some subsequent year were of very common occurrence in earlier days. They are not in any way distinguished in the balance-sheet given in the Finance Accounts (though they appear in the detailed statement of Exchequer issues near the end of the book), but they must be allowed for when comparisons between one year and another are made. In my Budget tables I have always distinguished these deficiencies where they amounted to an appreciable sum. See *II. 192 n.*

‡ The *Sound Dues*, redeemed in 1857, were levied by Denmark on vessels passing up the Sound, and constituted a serious tax on navigation, and a serious hindrance to trade. The different Powers interested at length came to an agreement with Denmark that they should redeem and abolish the dues, which was done in 1857, England's share of the cost of redemption amounting to £1,125,000. The *Stade Dues*, redeemed in 1867, were levied by the Hanoverian Government on all goods imported into Hamburg. They likewise constituted a serious obstruction to trade, and the British Government thought well, by buying up the rights for £153,000, to get rid of the obstruction. Similarly, and for the same reason, the *Scheldt Tolls* were, 1863 and 1864, redeemed at a cost of £350,000.

—a deficiency on the Chinese Indemnity. But the state of the miscellaneous revenue is no test at all of the prosperity of the country; it is swelled or diminished through adventitious circumstances. The condition of the “tax revenue” is the real test, and on the whole, the receipt for 1861 had not been amiss.* There had been another deficient harvest; and it might well have been expected that the collapse of the cotton industry would have given a severe sympathetic shock to the whole industrial system of the country. But so great was the vitality, and so rapid had been the expansion of the other branches of British trade, that the depression had been localised, and the injury counterbalanced elsewhere. The loss caused by the American Civil War had been counterbalanced by the great increase of trade—not only with France, but generally with the Continent—due very much to the commercial treaty now in full operation.†

One bad feature there was, however, about the tax revenue. The increase, such as it was, had taken place altogether in the earlier months, and the receipts had waned with the year. So bad did the outlook appear, that the Chancellor of the Exchequer thought it prudent to estimate for a small decrease in the revenue for 1862, a calculation more than justified by the result. For, excluding the income tax, which showed an exceptional and abnormal increase; the actual receipts of the year from the rest of the taxes, were less even than the estimate by some quarter of a million.

The excise again showed a great deficiency; the yield being but £17,155,000—a million less than the estimate—against the £20,360,000 of 1859,‡ while in the same period, on balance, but £238,000 of revenue had been remitted: a falling off in the three years of no less than £3,200,000. Customs showed a considerable recovery, much of it however at the expense of the excise. Indeed, twenty or thirty years ago, as it is to a lesser extent now, it was often the case that one of these two great branches of

* The “elasticity” of revenue over that of 1860 was about £800,000.

† The total British trade (exports and imports) with the States, which amounted in 1860–61 to £60,000,000, dropped in 1861–62 to £47,000,000, in 1862–63 to £39,000,000, and in 1863–64 to £38,000,000. In 1864–65 it was £48,000,000, and in 1865–66 it rose to £78,000,000. In 1867–68 it had again assumed normal proportions, and amounted to £67,000,000. The Anglo-American trade now averages from about 120 to 130 millions sterling a year.

‡ Slightly swelled by abnormal deliveries of spirits out of bond at the end of the financial year.

indirect taxation benefited at the expense, or was injured to the advantage, of the other. Thus, in 1862, the renewed bad harvest in England necessitated the importation not only of vast quantities of corn for food, but of hops and of barley for brewing and distilling; while the same cause had, by adversely affecting the production of home spirits, encouraged the import of foreign spirits. All this tended to divert revenue from excise to customs. Indeed, so interdependent are these two great branches of receipt, that in any estimate or calculation it is always necessary to take them together.

In the particular case of 1862, the recovery on customs did not by any means counterbalance the loss on excise; and the excise receipts were then, to a greater extent than now, a pretty good test of the material prosperity of the country. A third bad harvest, amounting in Ireland almost to a famine,* had followed on the top of those of 1860 and 1861, while the cotton famine had prevailed in its fullest intensity. Under these circumstances it was scarcely a matter of wonder that the consumption of the comforts or of the "luxuries" of the working classes should have shown a very considerable decline.† The Chancellor of the Exchequer did, indeed, in the following year, lay the flattering unction to his soul that the decline in the yield from the beer and spirit duties had been caused by "a change of habits, which was slowly and gradually, but steadily, making its way among the mass of the people, and that a transition was taking place from the use of the stronger and more inflammatory beverages to the milder and more wholesome drinks." An explanation that was rapidly and completely falsified, for the very next year the revenue receipts from intoxicating liquors showed an unprecedented advance, and the consumption continued steadily to increase for another ten or eleven years. The falling off had shown, not an improvement in

* In Ireland, the principal crops—wheat, oats, and potatoes—which produced in 1856–59, on the average, nearly £40,000,000 a year, in 1862 only produced £27,000,000, a decrease of £12,000,000, nearly equal to the whole annual valuation of the country. This disastrous harvest, moreover, had followed on the top of two others, both of which showed a heavy falling off from the average of the previous years. The consumption of spirits in Ireland had diminished (a marked sign of distress) from 2,463,000 gallons in 1861 to 2,300,000 in 1862.

† The receipts from malt amounted in 1859 to £6,650,000 (an exceptionally large receipt), and in 1862 to only £5,390,000. The excise duty on spirits, which was £9,780,000 in 1859, was but £9,400,000 in 1862 (see *I.* 260). By 1866 the former had risen to £6,800,000, and the latter to £10,850,000.

sobriety, but compulsory abstinence from intoxicants in consequence of bad times. When good times again came round the British public once more gladly and freely turned to their quart and their gill. The year 1862 marked the nadir of the revenue derived from articles of general consumption. From that time a substantial increase was shown—a progress which, after a temporary check in 1867 and 1868, culminated in the leaps and bounds of the earlier seventies.

Two considerable alterations—if beneficial, at all events confusing—were made in 1861 and 1862 in the system of stating the public accounts. In 1862 a change was made both in the amount of payment to the Bank of England for managing the public debt, and in the mode of stating it in the accounts. Before that date the yearly payment to the Bank was not charged on the Consolidated Fund as a total sum; the Government share of the profits of issue of Bank notes, about £128,000, as well as the composition for the Bank's exemption from stamp duty on its notes, about £60,000, being first taken in diminution of the amount, and only the balance of £60,000 to £70,000 being actually so charged. Thus, two entirely separate transactions were set off, the one against the other, and the House was deprived of control over either. But since 1862 the total allowance for management has been voted in one sum, and has appeared in the estimates; while the Government share of the profits of issue and the Bank stamp composition, have been paid directly into the Exchequer, the former into "miscellaneous," the latter into the "stamp revenue." The annual payment to the Bank was reduced in 1862 by some £50,000 a year, from the £250,000 paid under the old arrangement to about £200,000, at which figure it still remains. The upshot of the change was that subsequent to 1861 both sides of the account—the debt charge on the one hand, and the revenue receipts on the other—were swelled by some £130,000 a year.

The other change made was of considerably greater importance. Up to 1861, with the exception of an annual receipt and an annual payment of £60,000 a year to meet certain non-effective charges of the Indian army, the cost of the Indian forces had in no way appeared in the English accounts. In 1861, after the final amalgamation of the British and Indian armies, a fresh arrange-

ment was made, under which the sum of about £220,000, instead of only £60,000, was annually received from India to meet charges to the same amount for non-effective service—pensions and such like—entailed on the English War Office. In 1862 the system was carried still further, and an additional sum, amounting to some £600,000 or £700,000 a year, was paid by India on account of the home expenditure on effective service—for the maintenance of the Indian dépôt, recruiting, and other charges, at the rate of a fixed sum per head. These receipts, for both effective and non-effective service, were now to be paid into the Exchequer under the head of miscellaneous revenue, and the corresponding charge was year by year to be included in and voted with the army estimates. Thus, while previously to 1861 a sum of only £60,000 appeared on both sides of the account, in that year a sum of about £230,000 (including some arrears) so appeared, which by 1862 had grown to £900,000. This sum has since varied year by year, falling occasionally as low as between £600,000 and £700,000, rising at times as high as £1,200,000 to £1,400,000.

Between the years 1862 and 1876, the Indian charge was in no way distinguished in the public accounts from the ordinary army estimates; but from 1877 until 1883, the annual charge, though still included in, and voted along with the army estimates, was specifically distinguished and stated in the public accounts. In 1884,* when the system of “net expenditure” was again introduced, the amount disappeared from both sides of the account, the receipt going to the War Office instead of to the Exchequer, and being set off against the expenditure entailed on the army estimates.† It will thus be seen that there have been

* See *II. Appendix A.*

† More than once miscalculations have been discovered in the system under which these Indian payments have been made. In 1875 (when a change of system was made), it became necessary to vote special sums of £500,000 in that year, and £170,000 in 1876, to be repaid to the War Office, in consequence of over-payments on their part between 1870 and 1875 on account of these Indian charges, which had been calculated on an erroneous basis. (See *P. Ps.* 91 and 105 of 1876; 178 of 1877; 118 and 137 of 1879; and 45 and 65 of 1880, &c.)

Nor was this a solitary instance of miscalculation. A still more serious error was made in the calculations on which was founded the system of payment for the non-effective charge adopted in 1870. The Indian payment was less than it should have been, while the whole of the receipts had been treated as current revenue, instead of being, as they should have been, partly capitalized. The upshot of the matter was, that by 1885 there was a deficiency in the account of about £4,200,000. In order to wipe off this debt, a terminable annuity was created of £150,000 a year, separate from the Army Estimates, and charged on the Consolidated Fund. (See *P. P.* 77 and 221 of 1885.)

These accounts of the War Office with the Indian Government are tainted with

in the last thirty years no less than five different modes of stating these Indian charges and receipts in the public accounts, tending greatly to vitiate comparisons between different years. These Indian charges, it is clear, in no way affect the real cost of the British army, and I have therefore throughout excluded them when giving the expenditure on the army; and, in the Budget tables given at the end of the book, I have, between 1861 and 1876, and again between 1884 and 1886, clearly distinguished this annual charge and this annual receipt, in order that they may be easily eliminated when comparisons of expenditure and revenue are made.*

The result of these two changes of account was that, in 1862 and thereafter, as compared with previous years (except 1861), the expenditure (partly under the head of Army charge, and partly under that for the Debt) was nominally increased by some eight or nine hundred thousand pounds; the receipts (the miscellaneous revenue) being increased by a somewhat similar amount.

The expenditure for 1862—including the nominal increases above referred to—was put at £70,040,000, of which £500,000 was in the form of a vote of credit for possible expenditure in

what seems an irradicable vice in all accounts with which the Indian Treasury has anything to do—laxness in financial control, miscalculation in estimate, and delay in settlement. It appeared (not for the first time) in these estimates on a small scale—for India. It appeared to a greater degree in the miscalculations and accounts of the Abyssinian War. It culminated in the monstrous miscalculation of the Afghan War.

In this particular instance, however, the War Office seems also to have been much to blame: in the first instance for making such an extraordinary miscalculation, then for allowing the mistake to remain uncorrected for so many years; and ultimately for not rendering an account of the expenditure until two or even three years after the money had been spent. Dilatory as was the English War Office, they were surpassed by the Indian Treasury, the accounts for instance of 1871–2 not having even been received by the Auditor of the War Office at the beginning of 1877. (See 178 of 1877 and 221 of 1885.)

* In attempting to unravel the public accounts, scarcely any portion of them has given me so much trouble as these Indian receipts and charges; and I am very much indebted to Mr. Spring-Rice (of the Treasury) for having put me on the right track, and for having helped me to make them out. The amount each year stated in my Budget tables between 1861—1876, as the Indian charge, is the actual amount received year by year from India, as shown in the miscellaneous receipts given in the *Finance Accounts*, exclusive of any special or peculiar charge. This is practically the only basis on which the amount of the annual charge can be at all correctly estimated. To have taken the charge as supposed to be detailed in the *Audited Army Accounts* (an almost impossible task, so wonderfully are the accounts made up) would have been to adopt in that case a different system from that adopted in the case of the other items of expenditure, namely, the Exchequer issues. Then the charge, though voted with the other army charges, is in no way distinguished in the grants. The only alternative was therefore to assume that the receipt from India approximately corresponded

China. The revenue, similarly treated, was put at £70,190,000,* leaving an estimated surplus of but £150,000. The announcement of these figures, and of the diminutive surplus, caused that inarticulate sound to proceed from members which Hansard expresses by the word "sensation." A buzz that was caused by the astonishment of some at there being a surplus at all, by the astonishment of others at its minuteness, and by the enquiry, universal though unspoken, "Will new taxation be proposed?"

The burden of taxation for 1862 would, as matters stood, be lighter than that of 1861, inasmuch as the paper duty had finally disappeared, and there was no remanet of the extra penny of income tax imposed in 1860.† The smallness of the surplus forbade all further remission: as Mr. Gladstone put it—politely adapting the old saying, "Its ill gettin' the breeks off a hieland-man," into "It is difficult to deprive a Highlander of a particular garment which he does not wear"—if there is no surplus you cannot take it from the Chancellor of the Exchequer. The only question that required consideration was, therefore, should

to the expenditure of the War Office. The receipts cannot, of course, have exactly corresponded to the expenditure of each year; but neither can the amount specifically added to the army estimates after 1876, have always exactly corresponded to the expenditure. For all ordinary purposes, the receipts constitute a sufficiently accurate basis of calculation; and he is a bold man who should attempt to fathom the hidden mysteries beyond.

* This sum included the minor alterations proposed in the Budget, which on the whole increased the revenue by a few thousand pounds: namely, the extension to foreign and colonial bonds of the stamp duty payable on Indian and Home loans; permission to publicans under licence to ply their trade at fairs and such like gatherings; a reduction in the duty on one-horse hawkers. With these, the duty on dice was repealed, and that on playing-cards—not with any view to increased consumption but to prevent evasion—was reduced from 1s. to 3d. The duty on playing-cards and dice was imposed in 1711. In 1801 the duty was 2s. 6d. a pack (reduced in 1828 to a shilling), and £1 a pair on dice. Even the shilling duty on playing cards led to a great evasion. It was estimated by the Inland Revenue Department, that, shortly before the reduction now made, one person alone engaged in the clandestine manufacture of cards had sold more unstamped packs in a year than the whole number on which duty had been paid in the same twelve months. With the reduction to 3d., a change was also made in the mode of marking the stamp duty. Formerly the impressed stamp paper had been pasted on to the ace of spades, a system which had "abetted the designs of the card-sharper," as that card could consequently be detected by experts. In future, the pack itself was to be enclosed in a stamped wrapper. Immediately on the reduction of the duty, the number of stamps issued rose from some 270,000 to 660,000. The stamps issued in 1886 numbered about 1,200,000, and brought in between £15,000 and £16,000. The number of licences—£1 each—taken out in the same year by makers of playing-cards was 26, producing £26! The duty on dice was, at the time of its repeal, producing but £30 per annum, and the licence duty for the manufacture of dice only five shillings! (See Report Com. I. R. of 1870, C. 82, 1870, p. 81; and P. P. 317 of 1887, &c.)

† Paper £525,000, income tax £280,000, in all £805,000.

taxation be imposed in order to create a substantial surplus ; or should trust be placed in Providence and in the Americans, and the unsubstantial surplus of £150,000 be taken as sufficient, though not satisfactory ?

Under the peculiar conditions of the year, Mr. Gladstone decided for the latter course, and for the first and last time he deliberately began the financial year without having secured a fair prospect of a substantial surplus. There can be little question, however, but that the decision to defer the imposition of taxation, unless and until the necessities of the year clearly demanded it, was the right one. As far as the expenditure was concerned, ample provision for all ordinary contingencies appeared to have been made. The fear of war, in consequence of the *Trent* affair, had passed away, and an ample provision had been made for the balance of the Canadian charge, and for any further expenditure that might be required in China. The chance of a deficiency arose from the possibility of public expenditure in relief, and from the likelihood of diminished revenue in consequence of the cotton famine and continued bad harvests. But to have imposed taxation to meet the possible contingency of falling receipts, would have been to weigh down the springs of revenue in order to guard against their inelasticity ; would have been to impose a present and certain burden, in order merely to avoid a lesser and a problematical burden at some future time. If, indeed, the worst came to the worst, fresh taxation could be imposed ; but to have imposed it at once while yet there was a surplus, and while the chances of improved revenue were at least as good as those of diminished receipts, would have been a wanton aggravation of the distress of the country.

The position would, of course, have been a very different one, if, instead of an estimated surplus, however small, there had been an estimated deficit, or if the likelihood of a deficiency had arisen from possible inelasticity of revenue due to general depression. Under such circumstances, it would undoubtedly have been the duty of the Chancellor of the Exchequer to have imposed sufficient taxation to create a surplus, and to have made certain that no deficit should occur.*

* “ If I were asked to define a Chancellor of the Exchequer I would say he is ‘ an animal who ought to have a surplus ; ’ if, except under extraordinary conditions, he

The only features of interest in a very commonplace Budget were the further simplification of the wine duties, of which we have already spoken,* and the commutation of the hop duty into a brewer's licence. Both of these changes were of some fiscal importance, but they involved very little loss of revenue.

The transference of the hop duty from the crop to the barrel was a foretaste of the somewhat similar, though far larger, operation of 1880, carried out by the same hand, in connection with the malt tax. The hop duty † was indefensible, and had no merits, except that of producing three or four hundred thousand pounds a year. It was a bad tax, for it was a tax on a raw material actually charged on the grower of the crop; and, as in the case of all taxes on raw materials, the increase in price caused to the consumer by the duty greatly exceeded the revenue received by the State. The tax was an unequal one, for it depended neither on value nor quality; and, while the crop varied greatly according to the soil, the duty pressed more hardly on the inferior qualities and the poorer lands. The duty was difficult of collection to the Exchequer, and vexatious to the cultivator.‡ The crop itself was a most uncertain and speculative one, and the revenue derived from it was liable to extensive fluctuations,|| while appeals for the postponement of the duty wrung the hearts of successive Chancellors of the Exchequer. Lastly,

has not a surplus, he fails to fulfil the very end and object of his being."—Lowe, *H.*, May 7, 1875.

* See *I.* 231.

† The hop duty was first imposed about the middle of the seventeenth century, at the rate of 2s. per cwt. excise, and 10s. customs; and was repealed at the Restoration. It was revived at the beginning of the eighteenth century, at 1d. a lb. Hops were then less heavily taxed than malt, with the result that the taste for "bitter" beer, instead of sweet ale, was stimulated. The hop duty, along with the malt duty, was increased in 1778, and was more than once further increased in the course of the next thirty years, until it stood at 2d. a lb. This duty was not reduced after the Peace, and, with Baring's five per cent. addition, it remained unchanged until 1860, when, in consequence of the fiscal arrangements of the year, and the admission of foreign hops, the excise duty was reduced to 1½d., the customs duty being equalized at the same amount. With the abolition of the hop duty were now also repealed the excise penalties up to then existing on the use of any substitute for hops in brewing.

‡ So said the Chancellor of the Exchequer. But against this dictum—as in the case of the paper duty already quoted—should be placed the following optimistic extract from the Report of the Inland Revenue Commissioners for 1857:—"The duty on hops is remarkable as being of all excise duties that which is charged with the greatest facility and certainty, with the least amount of interference in the trader's operations, and at the lowest cost of collection." (p. 12.) See *I.* 264, n. and *II.* 281, n.

|| In 1852, for instance, the duty produced £447,000; in 1853, £277,000; in 1854 but £86,000; and in 1855 no less than £728,000.

the admission of foreign hops in 1860 on equal terms had exposed to all the severity of unrestricted competition this "darling child of Protection and Monopoly."

More than once the House had signified its desire that the hop duty should be abolished—though, indeed, with reference to what tax of any importance, except perhaps spirits, has not the same expression of opinion been given? And now, in 1862, Mr. Gladstone adroitly took advantage of a moment when, while he had the power and will to commute the tax, "the forcible though noiseless eloquence of the figures" of receipt and expenditure enabled him to plead poverty as against abolition, and thus to retain the revenue while removing the grievance. Abolition, not commutation, bread and not a stone, had indeed been the demand of those who had in the past denounced the tax.* They had now, however, no option but to make the best of a bad job, and to accept the proposal, which, far from abolishing, placed the tax on a firmer, because on a more satisfactory and economical footing.

The commutation was to take the form of an addition to the brewers' licence, calculated at the average rate of 3*d.* a barrel of beer, equivalent, according to the Chancellor of the Exchequer, to the minimum of hop duty which was now paid on a barrel of average beer. The existing scale of brewers' licences weighed hardly on the smaller brewers, for while the tax levied on twenty barrels amounted to about 6½*d.* a barrel, on 300,000 barrels it came to only about ¼*d.* a barrel. This scale was to be abolished, and a new one substituted, which would include the commuted hop duty, and which would rectify the former inequality, by making the cost of the licence vary more strictly in accordance with the number of barrels brewed.†

* The commutation of the hop duty into a brewer's licence was much bewailed by the late Mr. Bass, who would have to pay a £5,000 licence. Many persons—on the principle of "wish I'd got half his complaint"—would have been glad to have had the opportunity of paying such a licence duty. Mr. Bass added, with some truth and much humour, that, as a brewer, if it "were proposed to mulct him in £20,000, and to give him a fortnight on the treadmill besides, the House would probably offer very little objection." (*H.*, April 10th, 1862.)

† Considerable complaint was subsequently made by the brewers that the terms on which the hop duty was commuted were too high, and that consequently they were paying a larger annual sum than they would have done under the old hop duty. This was denied by the Excise Department, and the increased revenue was attributed to increased consumption of beer, and therefore of hops. (See C. 82, 1870, and other Reports.) The licence—the old brewers and hops commutation licence combined—was repealed in 1880, when the malt tax was commuted into a beer tax. (See *II.* 284.)

The loss on the wine duties would be nominal, and the total loss of revenue from the commutation of the hop duty and the change in the brewers' licence, would not exceed £45,000 a year ;* but in addition there would be a small sum for drawback. Taking these changes into account, the estimated expenditure and the estimated revenue almost exactly balanced.

A million of War Exchequer Bonds, the first of the two millions postponed, as will be remembered, by Mr. Disraeli in 1858, fell due in May of this year. But with Exchequer bonds to be once postponed is to be indefinitely postponed, and, as might have been anticipated, they were renewed. Money, indeed, was never at any time specifically voted to meet these and the other postponed bonds, and they were paid off from time to time as the realized surpluses of revenue permitted. The War Exchequer Bonds of 1878 shared the same fate as those of 1858: first postponed, they cropped up again time after time in subsequent years, becoming in truth part and parcel of the ordinary debt.

* The estimate of the Chancellor of the Exchequer was :—Hop duty, excise (average of ten years), £250,000 ; customs, £30,000 ; brewers' licences, £70,000 ; total, £350,000. Saving of collection, £5,000 a year ; new brewers' licence, £300,000 ; a difference against the revenue of £45,000. But the customs duty was producing nearly £100,000 then, so that the total loss of revenue came to about £150,000. The drawback to be paid actually amounted to £155,000, or considerably more than had been expected.

CHAPTER XV.

ECONOMY.

1863.

THE year 1863 was the turning-point in Mr. Gladstone's second Chancellorship,—the dividing line between a period of great expenditure (to call it by no harsher term), and a period of considerable economy. The former period extended from the accession of Lord Palmerston until the close of the financial year 1862; the latter lasted from then until the change of Government in 1866.

The financial results of the period of "bloated armaments," of "transition estimates," and of unlimited expenditure, may be summed up as follows:—The actual gross expenditure had been, in 1858, $64\frac{1}{2}$ millions; in 1859, $69\frac{1}{2}$; in 1860 (exclusive of the expenditure on fortifications), $72\frac{3}{4}$; in 1861, not quite $71\frac{1}{4}$; in 1862 just over $69\frac{1}{4}$. The ordinary expenditure,* exclusive of the debt charge—that portion of the expenditure over which the Government and the Chancellor of the Exchequer have any real administrative control—in 1858, amounted to $34\frac{3}{4}$ millions, was raised in 1859 to $39\frac{3}{4}$ millions, and by 1862 amounted to nearly 42 millions, having in the interval been at over $41\frac{3}{4}$ millions in 1860, and at $42\frac{1}{4}$ millions in 1861.

The special expenditure—including under that term all war charges, Indian, and other special outlay—was in 1858 just a million, and in 1859 came to £900,000. In 1860 it amounted to £4,800,000; in 1861 it was £2,640,000; and in 1862, £1,200,000.

* By "ordinary expenditure" is always meant, since 1858, the whole expenditure of the year (inclusive of the debt charge, unless otherwise stated), with the exception of any special charges (whether included or not in the army and navy expenditure), and of the War Office outlay on behalf of India (see *I. 285*), and after adjustment of any deficiencies due one year and paid another (see *I. 259, n.*).

Nearly the whole of the increased ordinary expenditure had been on the war services. The total ordinary expenditure on the army, which was but £9,360,000 in 1853, had increased to £12,000,000 * in 1858, by 1862 had risen to £15,140,000; † that on the navy from £6,640,000 in 1853, ‡ had risen to £8,150,000 in 1858, and in 1862 to £11,300,000—a reduction of a million over the expenditure of 1861, itself abnormally high. The total ordinary expenditure on the sister services was thus £16,000,000 in 1853; £20,150,000 in 1858; and £26,440,000 in 1862. Nor was this all: in addition to this great expenditure, eight millions had, in the last five years, been spent on war (in China about six millions and a half to seven millions; || on native wars in New Zealand some £400,000; in preparations for war in Canada about £900,000); together with some £2,200,000 on fortifications.

When there is profuse expenditure in any one department, it is nearly always the case that general supervision becomes lax, and a sympathetic increase follows in every department. But, nevertheless, the cost of administration ** together with the collection of revenue in 1862 showed but a comparatively small increase over that of 1858. The expenditure in 1858 was 11 $\frac{3}{4}$ millions, against some 10 millions of 1853; and in 1862 under 12 $\frac{1}{2}$, of which, however, some two or three hundred thousand pounds were due to changes in the system of accounts.

Thus the increase in the cost of Civil administration was not very great in these four years; and, as soon as economical ideas again began to prevail, a considerable reduction was effected in these estimates. Indeed, the period of three years succeeding 1862 was the only time, since 1853, in which the Civil Service estimates

* These figures, as already stated, in every case include any deficiency voted in subsequent years. For instance, the actual Exchequer issues on account of the army in 1858 were only £11,650,000, but a further £407,000 had to be voted in 1859. Any special war expenditure included in the army or navy expenditure is also excluded from the above figures.

† It should be noted that one result of the fortification loan of 1860 and subsequent years was to relieve the ordinary army estimates of most of the considerable annual charge for fortifications which they had previously borne. This charge was reduced from about half a million on the average for the years previous to 1860, to about £150,000 for several years subsequent to that date.

‡ Exclusive of the cost of the packet service included in the navy estimates from 1837 until 1860; and inclusive of the coast-guard service, included until 1858 in the estimates of the Revenue Department. The former amounted in 1853 to about £840,000, the latter to about £480,000. (See *P. I. & E. ii.*) || See *I. 244*.

** In the cost of "administration" is throughout included the so-called Consolidated Fund charges. See *Appendix B*.

actually diminished; at all other periods they have unfailingly advanced. The fact was that the period was one of legislative stagnation, while that which followed was one of legislative activity. Reforms—social reforms—always leave their mark on the cost of administration.

The annual expenditure of the Post Office was about £200,000 higher than that of 1858, and now amounted to three millions a year—double the expenditure of 1853—and at about this sum it remained for another four or five years, until the telegraph and the extension of the post-office system rapidly increased the annual outlay. The debt charge, diminished in 1860 from about $28\frac{1}{2}$ to $26\frac{1}{4}$ millions, was still at this latter figure; and the charge was not substantially increased until 1867.

The total additional revenue extracted from the taxpayers between 1859 and 1862—that is, the balance of taxation imposed over that remitted—amounted to about a million and a half, in addition to which the malt and hop credits had produced about a million. Each year the Chancellor of the Exchequer had estimated for a surplus, but twice only had he realised it. The two realised surpluses amounted to £2,890,000, the two deficits to no less than £4,000,000, a net deficiency of over a million. The debt itself, on balance, had been reduced by just over five millions.*

This great and lavish expenditure had been entirely in accordance with public opinion. A feeling which was expressed in 1861 by Mr. Disraeli, who, while repeating his favourite formula that “expenditure depends on policy,” added, “that he knew of no party in the House at this moment which would recommend any great reduction in our military expenditure”—a proof, as Lord Palmerston thought, “rather of the superior sagacity of the nation, than a subject for reproach.” †

* This is after taking into account the increase caused by the issue of fortification loans, due to the policy of the Government.

† Lord Palmerston to Mr. Gladstone (April, 1862), in remonstrating with the latter for a speech he had delivered at Manchester, in which he had deplored the great expenditure, and reproached the nation for forcing it on the Government. (See *Ashley's Life*, ii. 222.) See also Lord Palmerston's correspondence and expostulations with Sir George Lewis (November, 1860) for publicly arguing that it was a mistake to resort to preventive measures for evils “remote and uncertain,” for to do so was to entail the “proximate and certain mischief” of great expenditure. (*Ib.* 331-4.)

But a change in public opinion had begun, and was gradually becoming intensified. The feeling prevalent a year or two before, that the fleet of England was, at the best, merely equal, and was probably inferior to that of France, had been gradually giving way to the belief that England had become considerably superior at sea, and that with her volunteers and her forts, was now well prepared for defence against invasion.* Then, again, the relations between England and France were altogether on a better footing; and a vague Utopian idea had taken hold of the public imagination that the two Governments might come to terms, and initiate a friendly disarmament, instead of persisting in rival and ruinous outlay. France herself, externally and internally, was for the moment in a state of quiescence. Italy united—though with Rome and Venetia still unredeemed—was settling down under her new form of Government. Europe generally seemed inclined for peace. In America, the Civil War continued to rage, but further complications arising from it seemed improbable. As to ourselves, the Chinese had ceased from troubling, and, for the moment, the Maori was at rest.

Naturally, then, the public began to think that the burden of an unprecedented expenditure might well be reduced. One considerable factor in this change of opinion had been Mr. Gladstone himself. While forced by the policy of his chief to practise extravagance, the Chancellor of the Exchequer had never ceased in the Cabinet, in the House, and from the platform, to preach economy. He was, indeed, too much inclined to place the responsibility for the expenditure on an abstract "public," instead of on a concrete Government. It was typical of the point of view from which he regarded the question, that in his Budget speech of 1863 he solemnly assured the House that in the matter of expenditure the advisers of the Crown had not "outrun in the smallest degree the general state of public feeling, opinion, and conviction." But "as it is a received principle that the general should lead the army, so," said Demosthenes, "should wise men lead affairs." It is the duty of a Government to check public extravagance, and to

* "To say of this country, protected by 400,000 men and a commanding fleet in the Channel, that we are in danger of midnight invasion from cordial allies, is a mystification too monstrous for belief." Disraeli (*H.*, June 3rd, 1862, on Stansfeld's motion.)

show that the narrow path of economy is better, in every way, than the broad road of lavish expenditure. National economy is, unfortunately, just one of those instances in which everybody's business is nobody's business; and if the Chancellor of the Exchequer shirks his obvious duty in the matter, no one else can be expected to undertake it. "What the world wants," as Josh Billings says, "is good examples, not so much advice; advice may be wrong, but examples prove themselves." And it was unfortunately the case that during these earlier years, while Gladstone was always deploring public expenditure, he was ever ready, as Chancellor of the Exchequer, to propose the most enormous estimates to the House, and so to play the part of "a spendthrift weeping over pence—a penurious prodigal proposing enormous expenditure." * There was no insincerity in Mr. Gladstone's desire and demand for economy; and the lavish expenditure is now well known to have been especially repugnant to him. But, nevertheless, he, as a Cabinet Minister, and as Chancellor of the Exchequer, was, equally with his colleagues, morally and personally responsible for the enormous war expenditure which was incurred by the Government in time of peace.

At first the economists had preached to deaf ears. But, after a time, public opinion veered round to their side: the Opposition soon followed suit; those who had urged expenditure now urged it no more; and the late Chancellor of the Exchequer vied with his successor in advocating retrenchment. An opportunity of testing the change of opinion soon arose. In June of the session of 1862,† a Liberal economist, Mr. Stansfeld, moved a resolution—an historical resolution—which declared that the national expenditure could be reduced without compromising "the safety, the independence, or the legitimate influence of the country." So popular had economy suddenly become, that, sorely against his will, though to the manifest delight of his Finance Minister, the Premier, in order to avoid defeat, was forced to propose a dextrous amendment, so framed as, if possible, to satisfy all sections of his party, and to treat the matter as a vote of confidence. The amendment, which was accepted by a vote of 367 to 65, stated that "this House, deeply impressed with the necessity for

* Disraeli, *H.*, April 7, 1862.

† *H.*, June 3, 1862.

economy in every department of the State (Gladstone), is at the same time mindful of its obligations to provide for the security of the country at home, and the protection of its interests abroad (Palmerston), and observes with satisfaction the decrease which has already been effected in the national expenditure (Omnes), and trusts that such further diminution will be made therein (Stansfeld) as the future state of things may warrant." Simultaneously with the change in public opinion, the period of "transition" expenditure on the army and navy came to an end; and, though there remained a legacy of permanently increased estimates, considerable reduction of expenditure was for the moment rendered possible.

The heavy load of expenditure with which the country had been burdened, and the consequent impossibility of remitting taxation, had done much to discourage the growth of revenue. It is always so; increased expenditure and deficiency of revenue naturally go together. The necessity of maintaining heavy taxation to meet the former, depresses the latter, and prevents its expansion — a vicious circle that can only be broken by economy. On economy follows reduction of burden, and elasticity of revenue; taxation can then be lightened, and the revenue further expands. But by an inexorable law of finance, just when revenue is most required, it is least easily obtained, just when least required it is most abundant.

The period comprised in the four years now drawing to a close, had been financially a period of unusual pressure and of unusual anxiety; a state of tension enhanced by the financial policy of the Government, by changes of taxation at a period of great expenditure, by fiscal reforms at a time of high taxation.* This tension, this vast expenditure, the bad harvests and the trade disturbances due to wars and rumours of wars, had had their effect on the revenue. But the wise reforms of 1860 told in the end. Combined with the economy that was now to take effect, and with the remissions of taxation thereby rendered possible, they brought about a great change, and the years immediately succeeding 1862 resulted in very great expansion, and

* See Budget speech, *H.*, April 16, 1863. "We have had," said Mr. Disraeli in 1862, "a war expenditure in time of peace, and a system of finance which only a peace expenditure would justify."

very great elasticity; while the courage that had been shown in imposing taxation in the earlier years, now found its reward in the power of making large remissions.

By the time that the Budget of 1863 * was introduced, the turn in the tide of expenditure had come, and the ebb continued until the change of Government in 1866. The reduced estimates for 1863 were, said the Chancellor of the Exchequer in presenting them, a real and practical answer to the resolution of the previous session, a resolution not in any way premature, but "on the contrary, well founded and fully justified under the circumstances." Mr. Gladstone himself, it is safe to assert, was one of those who had most cordially approved both of the resolution and of the change of opinion which had made its acceptance possible. He was thereby invested with additional strength as against his chief, and was enabled in earnest to carry out that economical policy on which he had set his heart.

The financial year, 1863, with which the new epoch of economy opened, began satisfactorily. There had been a saving on the estimated expenditure of the past year of nearly three-quarters of a million, due partly to the non-expenditure of the vote of credit on China, and partly to actual economy.† Though there had been a considerable falling off in the excise revenue, the customs revenue had exceeded the estimate, while a periodical revision of the basis of assessment had produced a considerable additional sum from the income tax; and the total revenue showed an increase of nearly half a million over the estimate. Instead, therefore, of the microscopic surplus originally estimated, the year had ended with one of £1,300,000.

In 1863 the Chancellor of the Exchequer was for the first time fortunate enough to be able to present to the House a very large *bonâ fide* surplus, with which he was at full liberty to deal as he chose. Two out of the four preceding Budgets, those of 1859 and 1860, had, on the basis of the estimated revenue and expenditure, shown large deficits—the former of £4,900,000, the

* Budget speech, *H.*, April 16, 1863.

† The expenditure on China was about £50,000, but in addition some £200,000 was spent in a Maori war, and a small amount, the balance of the cost of the Canadian expedition, in all about £300,000 of war expenditure. The saving on the year came, therefore, to almost half a million.

latter of £9,400,000—deficits which had had to be filled up. In 1861 there had been indeed an estimated surplus, but a surplus to a great extent nominal, and mortgaged in advance. In 1862 the estimated revenue and expenditure had practically balanced, and there was a chance of a deficiency. For the current year, on solid estimates, there was a surplus of no less than three and three-quarter millions.

Instead of having to maintain taxation at a high figure, or while taking it off with the one hand to impose it with the other, a tax could now be reformed or remitted without adding to some burden elsewhere; and, for the first time since the Crimean war, the finances of the country could be freely handled, unfettered and unforestalled.

For the financial year 1863 itself, the estimated expenditure was put at £67,750,000, or less by a million and a-half than that of 1862.* The whole of the reduction was practically on the war services, for the Civil Service estimates were taken at the expenditure of 1862. The reduction of expenditure was due to no mere fleeting desire to be in harmony with the "resolution," but was based on real economy; an economy which prevailed not only throughout the year itself, but for several succeeding years. The actual ordinary expenditure of 1863, estimated at £67,750,000, only amounted in the end to £66,800,000,† a saving of a million on the estimate, and of two millions and a half on the expenditure of the previous year. Truly the new epoch of economy was satisfactorily inaugurated.

The revenue which had come to £70,600,000 in 1862, was, for the coming year, estimated at nearly £71,500,000, an apparent increase of £900,000. But this increase, under the system in vogue in those days, of basing the estimate on the yield of the previous year, was not due to any expected elasticity of revenue. It was almost entirely attributable to an estimated increase on the Chinese indemnity; and of a like increase on the excise for malt arrears; while, in 1863, there would be no deduction for hop drawback.‡

* The expenditure of 1862 included, however, about £300,000 of "war expenditure" in China, Canada and New Zealand.

† Including £300,000 on the Maori war, renewed near the end of the year; a war chronic throughout these years.

‡ Indemnity, £230,000; malt arrears, £450,000; total, £680,000. Hop drawback saved, £155,000; total, £835,000. Tobacco only £75,000.

The revenue from the tobacco duties, moreover, had already been increased by £75,000 in consequence of a change which had lately been made in them.*

The estimated surplus on the basis of an expenditure of £69,750,000 and a revenue of £71,490,000, was £3,740,000; a surplus which was increased by a few thousand pounds before being given away. The duty on chicory was at last raised to the level of that on coffee; some small changes were made in the beer and spirit licences in order to remove anomalies, and to prevent evasion of the duty; a small alteration was made in the carriage duty for the benefit of the smaller "stage carriages."

An unsuccessful attempt was made, as a matter of "equality of taxation," to impose on "clubs" where intoxicating liquor was sold, a licence duty at the same rate as that imposed on hotels and coffee houses. A proposal to commute the railway tax of five per cent. on all passenger traffic, bristling with exceptions and exemptions, into a uniform tax of $3\frac{1}{2}$ per cent. all round on all passenger traffic without exemption or exception,† failed to meet with the approval of the House of Commons.

But the most important of these minor proposals, important not from the amount of revenue it would produce, only some £100,000 a-year, but from the principle involved, was that, subject to certain reasonable exceptions, the general exemption of corporate bodies and "charities" from direct taxation was to cease. The exemptions still to be maintained would include buildings belonging to hospitals, colleges, and charities; funds devoted to keeping churches and chapels in repair; and institutions supported by voluntary subscriptions.

The proposal, which would have brought under taxation some

* The duties on manufactured tobaccos were reduced to 5s. on cigars, 4s. 6d. on Cavendish and Negro-head, and 4s. on other manufactured tobaccos; and, in future, the manufacture of Cavendish and Negro-head (before prohibited) was to be permitted "in bond." The duty on unmanufactured tobacco was to be divided, and changed from a general tax of 3s. 1½d., into two duties, the one of 3s. 6d. and the other of 3s. 2d., depending on the moisture contained in the tobacco. See *II. Appendix J. History of the Tobacco Duties.*

In 1864 Mr. Gladstone showed that the changes made the previous year had been beneficial to the revenue, to the consumer, and to the manufacturer. The revenue had gained some £200,000, the import of foreign cigars had been larger, and yet the English manufacturer—who, as the Chancellor of the Exchequer said, "had been put through his usual paroxysm of apprehension and alarm at the reduction of the duties"—had manufactured more tobacco than before the change.

† See *II. 103 & 309.*

three or four millions of annual income, was met with the clamour which powerful corporations and vested interests on their defence can always ensure, and with the opposition which they so well know how to create. So vehement was the outcry, so passionate were the appeals to sentiment, so loud were the denunciations of the heartless cruelty of depriving a poor man of his dole and taxing the widow's mite; so persistent were the threats of closing beds in hospitals, of turning the sick into the streets, of driving aged cripples from the doors of almshouses to die in misery and want, that the Chancellor of the Exchequer was reluctantly obliged to withdraw his obnoxious proposal. He gave way, but not without a warm protest against the injustice of taxing the whole country at an augmented rate—and that is what exemptions from taxation imply—in order to enable "Governors" to feast,* and "donors" to gratify their vicarious vanity at a lesser cost. "Charities" are still exempt; but, in 1885, under stress of war expenditure, the proposal of 1863 was substantially carried into effect in regard to "Corporations."†

These minor proposals—most of which were ultimately dropped—would, it was estimated, add some £133,000 to the revenue, bringing up the disposable surplus to £3,874,000. And, at last, the Chancellor of the Exchequer was in a position to grant an instalment of justice both to the income tax payers and to the general consumer.

The income tax, the tea and sugar duties, each and all had a valid and equal claim on this surplus. Ten years before it had been intended and arranged that the taxation on tea and on sugar should be gradually reduced to moderate rates. But, though peace had now prevailed for seven years, the repeal of the reduced war duties on these articles had from time to time been postponed; heavy expenditure had at first entailed

* It was a fair retort, on the part of the Chancellor of the Exchequer, to the argument which was used by the Governors of more than one hospital—by St. Bartholomew's more especially—that the tax would cost them £850 a year and compel them to receive so many less patients—"I am entitled to ask," said he, "why, then, do you spend £220 in a feast? Your 'cases' of patients are estimated to cost some thirty shillings each; what right have you to eat up in an hour 150 cases?" (*Revised Financial Statements*, May 4, 1863.)

† An income tax at the rate of five per cent. was charged on them in lieu of payment of death duties. In 1886 the tax only produced £34,240.

high taxation, and, when revenue could at last be spared, other taxes had been preferred before them. The income tax had equal or even greater claims to remission. It had never been intended in 1853 that either the tea or the sugar duty should entirely disappear, but it had been almost unanimously agreed that an end should be made of the income tax ; and yet the tax was now twopence in the pound higher than when the promise of extinction had been made ten years before.

The disposal of the surplus was therefore a very simple matter. Half was to be allotted to the income tax as direct, the other half to tea and sugar as indirect, taxation. The only question to decide was whether tea or sugar or both should be relieved. It is a sound axiom of finance, in dealing with indirect taxation, that when a reduction is to be made, it should be given not grudgingly, but with a free hand—not a little here and a little there—and that the effort should be concentrated as far as may be on a single article. The reasons are obvious. The trade itself is harassed and disturbed by repeated changes, or expected changes in taxation—in some ways small changes are even more disturbing than large ones—and it is better, therefore, to give a substantial reduction and have done with it, than repeatedly, and at short intervals, to alter the duties. Indeed, it may be said with some truth, that a trade suffers less from the actual burden of taxation (assuming it to be moderately and fairly levied) than from the uncertainty engendered by the fact that so long as the taxation exists it is liable to alteration.

Again, while fiscal reforms are usually intended to benefit chiefly the trader, and to encourage trade (thereby of course benefiting also the nation at large), reductions of taxation on articles of general consumption are intended to be for the benefit more of the consumer than of the trader. At the same time a reduction of duty benefits the latter likewise, both by putting an extra profit into his pocket, and by increasing his business turnover. But the consumer will only gain directly from a reduction of indirect taxation if it be sufficiently substantial appreciably to affect the retail price of the article. If the amount of remission be not sufficient to allow of a reduction of price, as represented by some current coin of the realm, on the smallest ordinary retail quantity of the article sold, the consumer (and especially

the poorer consumers, who can only buy in small quantities), will be charged the same price as before, and the benefit of the remission will go into the pockets of the middleman. If, however, a substantial reduction is made, competition will force the retailer to reduce the price by as much, or very nearly as much, as the full remission, and thus the whole, or very nearly the whole benefit of the reduced taxation will be received by the consumer. In the former case, the remission not being followed by reduction in price, general consumption will not be encouraged, and the Exchequer will not be recouped any of its loss. In the latter case, the reduction in price will enable the consumer to increase his purchases, and part or all of the revenue remitted will come back again into the Exchequer. Thus a substantial reduction benefits the consumer by an appreciable reduction in price, the trader by the increased trade and turn-over which ensues, the labour market by the increased employment (this implies, and the Exchequer by the recoupment of a considerable portion of its original loss.

On the other hand, when indirect taxation is imposed on any article, it is better on the whole that the addition should be considerable, and sufficient to allow the middleman to raise his price, on his ordinary small transaction, by an amount equivalent to the increased duty. Otherwise—for the trader always manages to shift from himself to the consumer most or all of the increased burden—one of two things will happen. Either the price will be raised “all along o’ the tax” above the amount actually imposed, and the consumer will be mulct in a larger sum than the State receives, the retailer pocketing the difference; or, being unable to raise the price, he will, to the detriment of the consumer, take out the increased duty in adulteration.* It is only in the case of the imposition or remission of indirect taxation that these arguments apply. When direct taxation is imposed or remitted no such disturbance to trade takes place, and in this respect at

* Thus, in the case of the fourpence a pound added to the tobacco duties in 1878, the amount was too small to enable the dealers to raise the price of tobacco on the ordinary retail sales. The result was, as Mr. Goschen put it, when proposing the repeal of the additional fourpence in 1887, “the purchaser buys a nominal ounce (at threepence) as before, but he really buys less tobacco and more water: the remission of the fourpence would not affect his pocket, but he will get a better article.” (*Budget Speech, H.*, April 21, 1887.)

least the imposition of direct taxation is greatly to be preferred to that of indirect.

The income tax was to be reduced by twopence, bringing it down again to the old stereotyped figure of sevenpence, at which it had always stood in pre-Crimean days. The loss of revenue entailed on the year would amount to nearly two millions, leaving, after the deduction from the surplus of half a million, which was to be kept in hand, one million and a half available for the remission of indirect taxation. A sum amply sufficient to enable a substantial and economical reduction to be given on either the tea or sugar duties, but not sufficiently large to be divided between them.

The question then arose, which should it be? The Chancellor of the Exchequer balanced the conflicting and almost equally weighty arguments in favour of a reduction on sugar against those in favour of a reduction on tea. The arguments, stripped of verbiage, were these:—

To reduce the sugar duty will increase the demand for tea.

To reduce the tea duty will increase the demand for sugar.

The sugar duty has once been lower than now; the tea duty never.

All the more reason why tea should now be favoured.

Sugar being the more important article, a reduction in the sugar duty would tend to extend the field of trade.

A reduction in the tea duty would increase and open out trade with China.

The sugar duty being complicated and vexatious, complications would be diminished by reduction.

The question of sugar drawback being under inquiry, it is better to wait till that is decided.

Tea is altogether a foreign produce, while sugar is partly Colonial.

Tea is produced by free labour, sugar is still largely slave-grown.

Sugar is taxed fifty per cent. of its value.

Tea is taxed a hundred per cent. of its value.

Remission on sugar will effect a considerable reduction in price, and lead to increased consumption.

The same revenue applied to a remission on tea will effect

double the reduction in price, and lead therefore to still greater consumption and recuperation of revenue.

This last argument prevailed, and tea gained precedence, thus obtaining, if they may for the moment be personified, a start in the race with sugar. Sugar caught up tea in the following year, but in the next year tea again drew ahead. But sugar if slow was sure, and in 1870 made another stride forward, followed in 1873 by another step, and in 1874 reached the goal of final remission, while tea was left far behind, still bearing its burden of a sixpenny duty.

Tea*—by our elegant ancestresses denominated “tay”—was still, in September, 1661, to Pepys, “a China drink which I had never drunk before.† About the end of the seventeenth century an excise duty of five shillings a pound was imposed on tea. During the next hundred years the duty was constantly varied. Reduced, raised, again reduced, again raised, and again reduced, sometimes at two shillings, and sometimes at five or more, it passed a chequered career, each reduction increasing, each addition checking, the consumption.

By about the middle of the eighteenth century, tea, as well as sugar, had become articles of general consumption, though still looked upon as “luxuries.”‡ The duty was very high, no less

* See Dowell, iv. 110–116 and 241–250; McCulloch, *Com. Dict.* “Tea;” Peto’s *Taxation*, p. 26; Porter, p. 561, &c.; Parnell, chap. iv.; Levi, p. 244, &c.; Budget Speeches and Debates; Annual Reports of Commissioners of Customs, and other Parliamentary Returns, &c.

† In 1664 tea was still so scarce that the East India Company, who wished to make a present of some rarities to the King, could procure only two pounds two ounces, for which they paid 40s. per pound. (Report of Commiss. Customs, 1857, p. 66.) The *Calendar of Treasury Papers* under date 1691 mentions that the cost of tea was then 12s. a pound.

‡ Arthur Young, in his *Farmer’s Tour through England*, published in 1771 (iv. 350–52), speaking of the “distresses of the poor,” says “that they are equally ill understood and misrepresented by the numerous writers who plume themselves on their humanity.” “Their grand source,” he argues, “is the application of money to *superfluities* which ought to be, and formerly was expended in *necessaries*.” The poor took tea (with sugar) “*twice a day*” (the italics throughout are those of Arthur Young), “and it was inconceivable how much it impoverished them; in very many parishes they attributed their exorbitant rates solely to this luxury. . . . And an object, seemingly, of little account, but in reality of infinite importance, is the custom coming in, of men making tea an article of their food, almost as much as women; labourers losing their time to go and come to the tea-table; nay, farmers’ servants even demanding tea for their breakfast, with the maids! which has been actually the case in *East Kent*. If the men come to lose as much of their time at tea as the women, and injure their health by so bad a beverage, the poor in general, will find themselves far more distressed than ever.” “Labour has risen 25 per cent. in eighteen years,” he adds; “and rates 64 per cent. in the same time, in order that the poor might drink tea twice, instead of once a day” (p. 356).

than 119 per cent. of the value, and much tea was smuggled,* while more was adulterated, or as it was called, "sophisticated." In 1784 this high duty, then producing £700,000, was reduced by Pitt, at a stroke, to one of $12\frac{1}{2}$ per cent., at an estimated loss of revenue of £600,000; a gap which, abhorring a deficit, he filled up by an addition to the window duty. The reduction was eminently effective. It killed the smuggling and diminished the adulteration; and, within the next four years, the consumption of duty-paying tea increased from five to over thirteen million pounds, and by 1793 very nearly the whole of the revenue relinquished had been recovered. During the war, when the guineas had to be scraped in as best they could, the duty on tea was gradually raised, and by the close of the war it had again reached nearly 100 per cent. of the value. But, tea being now a well-established drink, the yield was considerable, and amounted to no less than four millions sterling in 1815. The monopoly of the China trade enjoyed by the East India Company, however, limited the supply and raised the price, and this, together with the very heavy duty, prevented for a time any considerable increase of consumption.† The monopoly came to an end in 1834, and the tea trade was then thrown open. Previous to that time, and for thirty years after, very nearly all the tea consumed in England came from China, the Indian and Ceylon trade being as yet undeveloped. But of late years the production of tea in our East Indian possessions has made great strides. In 1876 no less than 84 per cent. of the whole of our tea came from China, and but 15 per cent. from India and Ceylon together. These proportions have gradually changed in a most satisfactory manner, and, in 1886, 35 per cent. of the whole came from the East Indies, and only 63 per cent. from China.‡

* A committee, which sat in 1783, reported that between 1773-82 the average annual quantity of tea publicly sold by the East India Company, who had the monopoly, was five and three-quarter million pounds, while, by "the various methods of illicit importation," no less than another seven million pounds was annually brought into consumption. According to McCulloch, about the year 1780 the annual consumption of tea in England was 18 millions of pounds, of which no less than eight millions escaped the duty.

† The quantity of tea retained for home consumption in 1822 was $25\frac{3}{4}$ millions of pounds; by 1833 the amount had only risen to 32 millions.

‡ China sent 156 million pounds of tea in 1876, and only $145\frac{1}{4}$ in 1886. India and Ceylon sent 28 millions in the former and 80 millions in the latter year, the Ceylon yield rising from 92,000 lbs. to over seven millions. Curiously enough, the substitution of Indian for Chinese tea affects the revenue adversely, for, Indian teas

The duty previous to 1834 had been of the nature of an *ad valorem* tax of 96 per cent. on teas under, and of 100 per cent. on those over, the value of 2s. a lb. In that year an unsuccessful attempt was made by Althorp to introduce a system of limited classification in lieu of the *ad valorem* duty.* But the plan was not found to work well, and, in 1836, a uniform duty was finally imposed, at the rate of 2s., increased in 1840 to 2s. 2½d. a lb. We have already seen how the duty was lowered by Mr. Gladstone in 1853 to 1s. 10d., with the intention of further lowering it by gradual steps to 1s. in 1857.† The duty had been lowered to 1s. 6d. when the Crimean War arrested the further process of reduction, and the duty had been again raised to 1s. 9d. In 1857 it was again reduced to 1s. 5d., at which figure it still remained. The proposal now made, in 1863, was to lower the duty to 1s. a lb. to which it ought to have fallen six years before. In 1865 the duty was further reduced to 6d.,‡ and no further reduction has since been made.

The tea duty has throughout been satisfactorily progressive, and has consistently responded to remissions of taxation. The English people are tea-bibbers to a far greater extent than any other nation in the world, and increase their consumption, with every fall of price, in a way that would have appalled Arthur Young if he could have lived to see it. The amount of tea consumed in 1840 was 32 millions of pounds; in 1852 it was 55 millions; in 1858 it was 73 millions, in 1864 it was 88½ millions, and in 1886 nearly 178 millions of pounds.¶ Per head it has risen from 2·58 lbs. in 1858, to 4·87 in 1886, the highest point touched except in 1885, and the sixpenny duty now produces exactly as much revenue—£4,500,000—as did the shilling duty in 1863.

The fact is that the price of tea is very considerably lower than it was five-and-twenty years ago. Not only is the duty only a third of what it was then, but the price of the article itself—like that of most other food products—has gradually fallen.

being stronger than those of China, a smaller quantity goes further. (See Report of Commiss. of Customs, 1887, p. 10; Budget Speech, April 21, 1887, &c.)

* Namely, on "Bohea," 1s. 6d. a lb.; on "Congou," "Twankay," &c., 2s. 2d.; on other sorts, 3s.

† See *I.* 124, and 152, 153.

‡ See *I.* 337.

¶ These are the totals of "consumption." The total "imports," which include re-exports, are considerably larger.

Indeed, so much has the price fallen, that on the commonest sorts of tea the duty of sixpence now represents a burden of no less than a hundred per cent. of the value.* This fact and the great increase that has taken place in the consumption of tea, seem to show that the time has arrived when the question of a further reduction of the duty, if not of its total repeal, should be considered.

In introducing his proposal the Chancellor of the Exchequer, taking a hint from Pitt and Peel, gave the House an "object lesson" to prove the advantage that the consumer would derive from the proposed reduction of the duty on tea from 1s. 5d. to 1s. a pound. Holding in his hands two packets of tea, one small the other large, he pointed out that the smaller one contained one penn'orth of tea, with the duty as then existing, while the larger contained the amount that would sell for a penny when the duty was reduced to 1s.† The tea duty was producing about £5,500,000 a year, and the reduction would cause a gross loss to the revenue, and give relief to the consumer, to the extent of £1,660,000, but of this it was expected that some £300,000 of revenue would be recovered through increased consumption, leaving a net loss of £1,360,000, of which £1,300,000 would fall on the current, and £60,000 on the following year.

The twopence of income tax remitted would cost for a whole year about £2,350,000. Along with the reduction of twopence in the income tax, a considerable change for the benefit of the minor incomes was to be made in the limit of abatement of the tax. The loss occasioned by the change at the existing rate of 9d. in the pound would amount to about £400,000. There would be thus a total relief of taxation to the income tax payer of two millions and three-quarters, of which they would receive £1,900,000 in 1863, and £900,000 additional in the following year.

* The price of common teas in bond is about 5d. to 6d. a pound.

† In 1861, when arguing for the repeal of the paper duty as against the proposed remission of the tea duty, Mr. Gladstone had held in his hand a paper "bitumenized pipe," in order to prove what subsidiary trades would "spring into life" if the restraints caused by the paper duty were removed. (*H.*, May 2nd, 1861.)

Peel, in 1842, in order to show how smuggling took place, by the process of hiding platted within a roll of unplatted straw, held in his hand a small bundle of straw and deliberately unrolled it before the eyes of the members. (*H.*, May 10th, 1842.)

One further remission was given. The penny charge on goods inwards, and the equivalent eighteenpenny charge on bills of lading outwards, imposed in 1860, were now, at a loss of some £190,000, repealed. The total net remissions amounted to £3,340,000 for the current, and another million for the following year.

The estimate of revenue was thus reduced from the £71,620,000, to which it had been raised by the proposed minor impositions of taxation, to £68,280,000; that of the expenditure remained at £67,750,000, leaving a surplus of £530,000. A surplus designated by the Chancellor of the Exchequer as "moderate;" but, as compared to those usually retained in these degenerate days, not only actually large, but relatively enormous. For under the system in vogue since 1874 the full probable increase of revenue on the year is taken into account in the original estimate, while previously to that date this increase, whatever it might be, went to swell the realised surplus at the end of the year.

In dealing with the changes in the income tax made in 1863, it may be well to bring together the whole history of the income tax abatements and exemptions.* When the income tax was originally imposed by Pitt in 1799 the whole of the income of each individual had to be returned. All incomes under £60 were exempted from the tax, and between that amount and £200 there was a graduated abatement, rising from the one hundred and twentieth part of the income to the full ten per cent. On the reimposition of the tax in 1803, after the renewal of the war, the plan of returning the whole income of the individual was discontinued, and incomes were charged at their source when in "the hands of the first possessor," instead of in the "hands of the ultimate proprietor," and the system of schedules was introduced. At the same time the limit of abatement was lowered to £150, that of exemption remaining at £60. In 1806 the limit of exemption was reduced to £50, and confined to incomes derived from wages.

Peel, on reviving the tax, drew a hard-and-fast line at incomes of £150, and looking on the tax as a temporary burden, he refused to complicate it by any system of abatement, and while he totally

* See *I. 109*, for history of the income tax; and for schedules, see *Appendix K*.

exempted those below, he charged the full tax on incomes of above £150. In 1853, Mr. Gladstone had reduced the limit of exemption to £100, charging the tax on incomes between £100 and £150 at the fixed rate of 5*d.* instead of at 7*d.** The limit of abatement was now, in 1863, to be carried up to £200; and instead of its being given in the shape of a lesser rate per pound, it was to be given in the shape of a deduction of £60 from all incomes between £100 and £200, the balance only being charged with the tax.†

In 1873 further relief was given. Mr. Lowe, as it now appears, against the better judgment of his chief Mr. Gladstone,‡ extended the limit for abatement from £200 to £300, and increased the deduction granted from £60 to £80.¶ In 1876 a still greater step was taken by Sir S. Northcote—again, it is probable, against the judgment of the then Prime Minister, Mr. Disraeli.** The limit of exemption was raised from £100 to £150, the limit for abatement from £300 to £400, and the abatement itself from £80 to £120.†† By this last change some 250,000 persons were absolutely freed from the payment of the tax, and a further 400,000 gained by the increase in the limit of abatement, and from the increased deduction granted.‡‡ The gain per penny in 1853, in consequence of the abolition of the exemption for incomes between

* When the tax was raised for war purposes to 16*d.*, the “fivepence” was increased proportionately to 11½*d.* Reduced to 5*d.* in 1857 and 1858, it was raised to 6½*d.* in 1859, and to 7*d.* (with the tax at 10*d.*) in 1860. It was now at 6*d.*, with the general tax at 9*d.*

† Thus an income of £100 would only pay the tax on £40, an income of £150 only on £90, and so on. Previous to the change, the reduced tax on minor incomes being 6*d.*—the full tax being 9*d.*—£2 10*s.* would have been paid by the possessor of £100 of income, and the payment would now be reduced to £1 10*s.* On the income of £150, instead of £5 12*s.* 6*d.*, only £3 7*s.* 6*d.* would be paid. Thus substantial if not “mathematical” justice would be done to that class of incomes which suffered more severely from the tax.

‡ “Reflection confirmed him in the belief that this (the reduction in 1853 of the limit of exemption from £150 to £100) had been a wise proposal; and he had to confess with some regret that during the existence of a government for which he was responsible, retrogression was made from the position which, to his mind, was distinctly a step in the wrong direction. But a still wider measure—not a step but a stride—was adopted by the late Parliament (1874–80), when, to his great astonishment and in spite of the best protest he could make, it immensely restricted the number of persons liable for the tax. He regarded it as extremely doubtful whether the time would come when this would be retrieved; but he hoped it might come.” (*H.*, July 31, 1882.)

¶ See *II.* 144.

** “After all, what is direct taxation founded on a system of exemptions? It is confiscation. It is making war upon the capital which ultimately must employ that very industry which you wish to relieve.” Disraeli (Budget Speech, *H.*, April 30th, 1852.)

†† See *II.* 229.

‡‡ *H.*, April 6th and May 18th, 1878.

£100 and £150, was estimated at £60,000 per penny. The loss per penny by the change made in 1863 was estimated at about £57,000; the additional loss in 1873 at some £75,000; and finally the loss in 1876 was put at £130,000.*

The reduction made in 1853 in the limit of exemption was based on the ground that the lesser income tax payers had greatly benefited from the considerable reductions of taxation rendered possible by the imposition of the income tax. Pitt, in 1798, spoke of the exemption being founded on compassion. Mr. Gladstone, in 1863, spoke of it as founded on necessity; and he drew the line at £100, so as not to trench on the "territory of labour." Weekly wages, from the nature of the payment, could not—even if it were expedient to touch them—be brought under the tax without the greatest difficulty.

The system of abatement was introduced in order to render less abrupt the transition from total exemption to full payment. Its further extension in 1863 and in 1873 was founded on the ground that the "sore place" in the levy of the tax was the minor incomes; at the point, as Sir James Graham once expressed it, "where the fustian jacket ends and the cloth coat begins." "There is no class of the community," said Mr. Lowe in 1872, "who are so severely pinched by taxation as the lower class of income tax payers. Everything seems to hit them; they pay income tax, they pay house tax, and their principal consumption is the consumption of articles on which taxes are and still will be retained. Their tea, their coffee, their sugar, their spirits, their beer, all contribute to the taxes, and then they are heavily amerced in taxation in the shape of local rates. I do not think that any class pay so much as the poorer part of the income tax payers."† The abatement was originally roughly calculated at an amount that would exclude from taxation that portion of the income expended on articles essential for existence.

* See *P. P.* 154 of 1882. The actual loss per penny is there put at £50,000 or £60,000.

† *H.*, March 25, 1872. A curious argument in favour of abatement was used by Mr. Gladstone in 1863. "A circumstance," said he, "which makes the tax particularly galling to this class of tax payers is that the charge is more accurately and fully levied in their case than in the case of many wealthier persons assessed in respect of trades and professions. As a general rule, the concerns of those who possess only these smaller incomes are more transparent, so to speak, than the private affairs of their richer fellow-countrymen—in other words their powers of evasion are minimised" (*Budget Speech*, 1863).

Some limit of exemption below which incomes shall be free, and some measure of abatement is unquestionably just. The question to be decided is where the line should be drawn. The exemption of incomes under £100, with an abatement of £60 on incomes up to £200, as fixed in 1863, seem to me to have been fair and reasonable proportions. But it is questionable whether the policy of exemption and abatement has not now been extended too far, when the exemption has been carried up to £150, the limit of abatement up to £400, and the amount of abatement up to £120. The result of this great extension of the system of exemption and abatement has been not only seriously to diminish the yield of the tax, but to rest the tax itself on a far narrower foundation than in former days; and this just when the income tax itself has become a source of revenue to which Chancellors of the Exchequer are more and more inclined to turn for support.

An income of £150 is considerably above the ordinary average weekly "wage"; an income of £400 can hardly be designated a very "minor income"; nor is £120 exactly the limit of "necessity." The only ground on which such limits as these can be justified is that, as a general principle in direct taxation, and in order to redress the inequalities of burden entailed by indirect taxation, smaller incomes are entitled to bear a considerably lesser proportionate burden of direct taxation than larger. A doctrine which I for one should prefer to see carried to its logical conclusion,—the adoption of a graduated income or property tax.* And, to my mind, the only advantage that has been gained by the adoption of a system of wholesale exemption and abatement under which exemptions and deductions have become the rule instead of the exception, is that a step, and a considerable step, has been taken towards the graduation of the income tax. Yet even then, such a tax—a graduated tax—should begin as low down as the point at which it can be generally and profitably collected. It should be as it were pyramidal, and its foundation should be broad.

* The result of the changes made in 1876 was to graduate the tax very effectively on incomes of under £400. With the income tax at 3*d.* in the pound, an income of £150 paid nothing; one of £180 paid about $\frac{3}{4}$ *d.* in the pound; one of £250 paid about 1*d.*; one of £350 about $1\frac{1}{2}$ *d.*; and one of £400, 3*d.*

CHAPTER XVI.

FOREIGN AFFAIRS.

1863—1866.

THE short European truce that had prevailed during the year 1862 had come to an end, and in 1863 and 1864 the Continent was again in a state of disquiet. "The miseries of Italy," had said Mr. Gladstone in 1861,* "have been the danger of Europe," and now for the moment Italy was at rest. But Poland—the shame of Russia and the reproach of Europe—had again risen in revolt. Greece, the spoilt child of the Powers, had deposed her king, and was looking about for a successor. In Mexico, the "self-denying" joint expedition of England, France, and Spain, to obtain redress for injuries done to their respective subjects, had ended in the withdrawal of the English and Spanish contingents, and was fast developing into an actual though unacknowledged invasion of Mexico by the French. Prussia and Austria had in concert been bullying Denmark, and were now about to attack and dismember her.

In France, ominous signs were not wanting that the popularity of the Second Empire was on the wane. The personal position of the Emperor was not what it had been, either in France or in Europe. In the autumn of 1863 he proposed to the other great Powers a Congress, with the view of discussing existing European complications and of "arriving without convulsion at the pacification of Europe." The Treaty of Vienna, he declared, was "crumbling away on all sides;" and upon almost all points it was "destroyed, modified, misunderstood, and menaced."† In a further letter he explained that the questions requiring dis-

* *H.*, March 7th, 1861.

† Nov. 5, 1863. See Ashley's *Life of Palmerston*, ii. 236.

cussion and decision were those of Poland, Denmark, Venetia, Rome, Greece, and Moldo-Wallachia; while, further, the Congress might consider whether the "burdens of disproportionate armaments occasioned by mutual distrust" could not be diminished. A visionary and probably impracticable idea; but one that on the face of it seems to have been worthy of better treatment than the blunt refusal which it met with at the hands of the English Government. Again, the Emperor had been most anxious to recognize the Southern States of America, but could get no one to join him in his scheme. He had desired to interfere actively on behalf of Poland, but no other Power would move, and the remonstrances addressed by him to Russia had been contemptuously ignored.

These rebuffs and misadventures were beginning to make the French people question the ability of the Emperor, and the stability of the Empire. Before the election of 1863 the active Opposition had consisted of no more than five or six persons, and the most able of the opponents of the Empire had, since the *coup d'état*, withdrawn from public life. Some liberty and freedom of discussion had now been conceded, and Thiers and his friends had come to the conclusion that it was no longer "wise, dignified, or patriotic" to abstain from active participation in politics. Hence, at the election of 1863, these men joined in the strife, and were successful in winning many striking successes; the Paris elections especially going strongly against the Government.*

Some of the items of European disturbance at this time require notice in detail. In 1862 the Greeks deposed the Bavarian king, whom, thirty years before, the great Powers, after saving them from destruction by Turkey, had forced upon them. Otho had of late made sundry attempts to play tricks with the Constitution; and besides, the Greeks were tired of him. So, having peacefully and pleasantly deposed him, they looked about for another king. But a Grecian throne in those days was not very attractive, and for some time it went a-begging. Prince Alfred of England was their first choice.† But, as a scion of the dynasty of one of the

* Thiers, Jules Favre, Ollivier, Jules Simon and Picard were all returned for Paris.

† There were twenty-six candidates, of whom, however, fourteen might be said to be "bogus" candidates, for between them they only polled 64 votes out of some 235,000 given. Among them was Otho, who received from his late subjects one

protecting Powers he was disqualified; and ultimately the crown was accepted by Prince William (George) of Denmark, brother of the Princess of Wales. England has always shown a friendly interest in the Greek nation; and, on this occasion, she showed her practical sympathy by handing over to Greece the Ionian Islands that had been placed under her protectorate in 1815. A generous and, at the same time, a politic act. The islands formed "a single free and independent" republic, and naturally the protectorate of England could not be otherwise than irksome to the Ionians. It had not been found possible to take action before, but now the formation of a stable and, it was hoped, non-aggressive Government in Greece gave an opportunity of which the English Government availed themselves;* and the islands were incorporated with the kingdom of Greece under a European guarantee of perpetual neutrality.†

The Polish insurrection, though creating intense interest and intense indignation against Russia, had little or no effect on the policy or finances of England. Placed under the suzerainty of Russia by the Treaty of Vienna, Poland—still almost an independent State, with her own parliament, army, and government—fretted under the yoke of Russia, and bitterly resented the non-fulfilment of the pledge of constitutional freedom. Since the Polish rising of 1830, a war rather than an insurrection,‡ peace had reigned in Warsaw, but the memories of their lost liberties were not extinguished in the heart of the Poles.

Polish hatred of Russia smouldered on, and in 1863 again broke into flame. The immediate cause was the compulsory conscription of a large number of Polish nobles, "simply a plan," as the British Ambassador told his Government, "to kidnap the Opposition and to carry it off to Siberia or the Caucasus."||

vote. Prince Alfred received 230,000 votes; the second on the list, a Russian prince, only 2,400.

* These islands, originally Greek, had fallen under many rulers. Conquered by Turkey; seized by Russia; confirmed to her by the Treaty of Campo Formio in 1797; turned into a republic by the Treaty of Amiens in 1802; again seized by Russia in 1804; captured by France, and confirmed to her by the Treaty of Tilsit in 1807; they were finally taken by the English in 1809, and put under her protectorate by the Treaty of Paris, in 1815.

† The English garrison maintained in the islands numbered usually between four and five thousand men; the military cost of the occupation being some quarter of a million.

‡ Fyffe, *History of Europe*, ii. 390.

|| January 14, 1863. Cf. Ashley, ii. 230.

From the very beginning the insurgents had no chance. Europe sympathised, Europe expostulated, but Europe did not act, and the Russian Government, as soon as it saw that there would be no armed intervention, curtly rejected all proposals for negotiation. Undisciplined, ungeneralised, miserably equipped, armed but with scythes, or such weapons as they could capture from their enemy, but buoyed up with the hope that European sympathy would mean European interference, the Poles maintained for many months the unequal struggle; until, at last, the Russian troops, obtaining the undisputed mastery, wreaked their brutal vengeance on the fallen foe, and Poland was no more.

The Schleswig-Holstein question—a question which, as Mr. Disraeli once said, “few understand and none can explain”—was both in itself, and in its results, of infinitely greater importance than the Polish insurrection. It was the first step taken by Prussia in that policy which ended by creating a German and destroying a French Empire; and which has directly or indirectly saddled Europe with a crushing load of militarism.

With the old Danish kingdom were incorporated three Duchies—Schleswig, Holstein, and Lauenberg—German in race and in feeling. The manner in which these Duchies, and especially the two latter, should be governed, had for a long time back caused endless friction between Denmark and Germany. In 1848 there had been a revolt, and Prussia had assisted the rebels. In 1852 a treaty had been signed, under which Denmark agreed to concede constitutional government to the Duchies, and the Great Powers, including Prussia and Austria, had guaranteed to Denmark, to her sovereign and his heirs, “the totality of the States actually under the sceptre of the King of Denmark.”

Denmark had been very remiss in carrying out her part of the Treaty, while nothing she could do would satisfy the German States. The Germans naturally sympathised with the German-speaking subjects of Denmark. The Danes naturally resented the arrogant interference of Germany. Denmark presumed on her own weakness, Germany took advantage of her own strength. In 1863, on the death of the King of Denmark, the matter, already a pretty quarrel as it stood, was further complicated by a question of succession. To Prussia, who needed a sea-port and

extension of territory, the opportunity of picking a quarrel with Denmark was too good to be lost. Austria, as titular head of the German Confederacy, could not afford to lag behind Prussia; and so, in spite of all Treaty obligations, the two Powers, in the first month of 1864, marched their armies against the Danes.

The Danes, like the Poles, had no chance against the aggressors, but the Danes, like the Poles, relied on the assistance of other Powers. In the case of Poland the Emperor Napoleon, if he could have secured the active co-operation of England, would almost certainly have interfered by force of arms. In the case of Denmark, Lord Palmerston, before the war broke out, had pledged himself in terms that at the time were not thought to be ambiguous, to assist Denmark against Germany,* and there is little question but that he would have interfered and gone to war if necessary, would France or Russia have joined him. But England had refused to join with France on behalf of Poland, or in the recognition of the Southern States, and had snubbed her on the question of the Congress. The relations of England with Russia had lately been strained: she had been giving Russia much good advice on the Polish question, couched in language somewhat strong. Hence, neither France nor Russia were inclined, on her invitation, to take up the advocacy of the Danish question, and a general *mêlée* was happily avoided.

Lord Palmerston had to give way and to explain to the House that, while he had been ready enough to fight with allies, he had never intended to fight alone. In a matter of fact way, he pointed out to his colleagues that a war would cost England a great deal of money; and, in the end, as she had no troops, she would not be able to stop the march of the German armies;† a very sensible way of looking at the matter, but a curious argument as coming from Lord Palmerston. The policy pursued justified Lord Derby's remark that it had been one of "meddle and muddle—

* "We are convinced—I am convinced at least—that if any violent attempt were made to overthrow those rights and interfere with that independence, those who made the attempt would find in the result, that it would not be Denmark alone with which they would have to contend." (*H.*, July 23, 1863.)

Bismarck said to Beust in '65: "He (Bismarck) made the cabinet of Copenhagen believe that England had threatened us with active intervention if hostilities should be opened, although, as a matter of fact, England did nothing of the sort." (*Beust's Memoirs*, i. 243.)

† See *H.*, June 27, 1864; *Ashley's Life*, iii. 247–53.

interfering everywhere, lecturing, scolding, blustering—and retreating.” So conspicuous had been the failure, that for the first and the last time during this Parliament, the Opposition felt bound to move what was practically a vote of censure directed against Lord Palmerston himself; and defeat was only saved by the acceptance of an amendment, which must have been almost as unpalatable as the motion itself.* Altogether the English Government came badly out of the business. Their comments and expostulations, while encouraging the weaker Power, simply exasperated the stronger. And the only thing that can be put to their credit is that England was somehow kept out of the war.†

Nor was the conduct of the Prussian Government above reproach. If the English Government had been infirm of purpose, that of Prussia had attained its object with cynical disregard of Treaty rights, of solemn pledges, and of gratuitous promises. But force governs the world, and success too often consecrates the cause; and to the King of Prussia the “visible blessing of God” attended all his actions, however outrageous and however obviously contrary to the law of man.‡ Indeed, it is now scarcely remembered how universally unpopular was Prussia some twenty or thirty years ago; how sorry the figure she cut, and how little promise she then gave of developing into a great, powerful, and

* The motion, moved by Mr. Disraeli, expressed “great regret that, while the course pursued by her Majesty’s Government has failed to maintain their avowed policy of upholding the integrity and independence of Denmark, it has lowered the just influence of this country in the councils of Europe, and thereby diminished the securities for peace.” The amendment expressed “the satisfaction with which we have learnt that, at this conjuncture, her Majesty has been advised to abstain from armed interference in the war now going on between Denmark and the German Powers.” The amendment was carried by 313 to 295. (See *H.*, July 4th and July 8th, 1864.)

† English Foreign Secretaries nowadays show a certain tendency to give way to the *cacoethes scribendi*, which is neither dignified nor very judicious. They have fallen into the opposite extreme to that which prevailed in the last century. We read that the English minister at Vienna, at a time when the relations of England with the Court there were “peculiarly delicate, critical, and difficult, . . . was left for five whole months without a single line of instruction on public affairs, and that no less than fifty-two successive despatches which he had written remained unanswered. On an average, he said, he obtained one answer to about forty despatches.” (Lecky, v. 239.)

In 1863, on the Danish question, Lord John Russell indited no fewer than 170 despatches. And we remember with mortification the caustic remark made by Prince Bismarck not long ago, in commenting on the Colonial question, that he had received from England more despatches than from all other countries put together.

‡ The Prussian Government professed to be astonished that after the war—into which they had entered with a declaration that the integrity of Denmark would not be violated, and which resulted in reducing that kingdom from a population of 2,600,000 to one of 1,600,000 souls—England should “refuse to recognise the moderation and placability displayed” by Prussia and Austria.

respected Empire. At the time of the Crimean war, she had been thought to play a shuffling part. At the time of the Polish insurrection, she had refused the right of asylum to fugitive Poles. Her treatment of Denmark, and her subsequent relations to Austria, were not calculated to endear her to her neighbours. Internally, her Government was at daggers drawn with the representatives of the people. In 1863 Bismarck—lately made Chancellor—in dissolving the second successive Chamber which had refused the military supplies demanded by the Government, had made his famous declaration that “the great questions of the day were not to be decided by speeches and majorities, but by blood and iron.” But a predatory and successful war in 1864 had somewhat mollified the opposition; and finally the victories and prestige gained in 1866 gave to the king that public support which he had formerly lacked.

It may be well at once to trace the sequel to the spoliation of Denmark. The Treaty of Vienna, under which Denmark was dismembered, was signed in the autumn of 1864, and before a year was out, Prussia and Austria, in violation of their latest pledges, had openly divided their ill-gotten gains. Austria took Holstein, Prussia Schleswig, while Prussian troops were to garrison the federal port of Kiel.* The partners in guilt soon began to quarrel. It was evident that sooner or later Prussia would try a fall with Austria for the headship of Germany. Prussia made ready for war, and having secretly obtained the co-operation of Italy, who was only too glad to have someone to help her to redeem the remainder of her territory, bided her time. By 1866 the tension had grown so great that war became inevitable. The genius of Moltke, good generalship, the gallantry of the troops, the quick fire of the “needle gun,” the diversion caused by the simultaneous though unsuccessful attack of Italy, sufficed in an incredibly short space of time to overwhelm the military power of Austria.†

The “ten days’ campaign” revolutionized the map of Europe.

* For her share of Lauenburg, Prussia paid Austria a good round sum; a clear waste of cash, for if she had only possessed her soul in patience a little while longer, she would have got the Duchy as she got Holstein—for nothing.

† The Austrian prisoners numbered some 50,000; the Prussian but 570—88 to 1.

Austria was excluded from Germany. The German States north of the Maine were, some voluntarily, some compulsorily, united to Prussia, to whom of course went also Schleswig and Holstein. The States south of the Maine were formed into an Union, whose connection with the Northern Confederacy was to be a matter of subsequent arrangement. The Prussian Kingdom of nineteen millions of persons was increased to one of seven-and-twenty; and it only required the declaration of war by the French, four years later, to finally fuse the Southern Union with the Northern, and to unite into one solid Empire forty-three millions of people.

Italy—though not on this occasion by her own prowess*—won back Venetia, and thus was closed the long and embittered strife between herself and Austria, that for centuries had been a source of endless uneasiness to Europe. And now at last Italy, a nation of five-and-twenty millions of people, was able to turn her thoughts from the redemption of her territory to the consolidation and improvement of her kingdom.

In two respects England assuredly gained enormously by the war of 1866. In the Mediterranean has sprung up a new maritime Power whose lasting friendship she has secured by her genuine, if platonic, sympathy with Italian liberty and Italian unity; while, in Central Europe, a great Protestant Power has arisen, between whom and England there are many interests in common, and but few points of contact or friction.

* By far the most interesting feature of the Austro-Italian portion of the war was the naval battle off Lissa, between the Austrian and Italian fleets, in which, for the first, and as yet, for the last time (except in the case of Chili and Peru) two iron-clad fleets have come into hostile collision. The Austrian squadron consisted of seven ironclads besides wooden ships; the Italian of eleven ironclads. The Austrians were signally victorious; and the Italian fleet withdrew, after considerable loss on either side.

CHAPTER XVII.

REMISSION.

1864—65.

IF affairs abroad during 1863 and 1864 had been much disturbed, affairs at home had been in a most flourishing condition. Three bad seasons had been followed by an abundant, unusually abundant, harvest. Distress and discontent in Ireland had, for the moment, abated. Lancashire was slowly making headway. Trade generally was in a sound and healthy state. The financial position was eminently satisfactory; and after ten years of storm and stress, things were again returning to their normal state.

The financial results of 1863 had been very satisfactory. On the ordinary expenditure there had been a saving of a million, against which however there had been an outlay of a quarter of a million on special items.* On the revenue there had been an increase of no less than two millions over the estimate.

The increase of revenue had taken place in every branch and almost every item of receipt. Upon two articles of any importance was there a falling off—the one a satisfactory sign, the other less satisfactory. The result of the good harvest had been that instead of forty-one million quarters of wheat being required, only twenty-four and a half were imported. The receipt of £970,000 from the corn duty, in 1862, had dropped to £750,000, and fell in 1864 to £560,000—quite like old times. On the other hand, the revenue from sugar—an article always

* Namely, £175,000, the first moiety for the redemption of the Scheldt tolls; and £86,000, "Kertch and Yenikale prize-money." This latter item is a good specimen of the delay that too often takes place in the realisation and distribution of prize-money. The expedition to Kertch had taken place seven years before, in 1855, during the Crimean War. A still worse delay took place in the case of the "Banda and Kirwee (Indian) prize-money," earned in 1858 and not paid until 1868.

subject to fluctuations—showed a falling off of some £270,000, due partly to an actual scarcity of production in the year, but still more to the temporary withholding of the supply in consequence of the certainty which was felt that the sugar duties would this year be dealt with and reduced.

The increase that had taken place in the consumption of tea, and the consequent recovery of revenue, had more than fulfilled expectation, and had amply justified the reduction which had taken place. The “drink” revenue showed a large increase. The receipts from the spirit duties, for the first time since the imposition of 1860, showing a material gain; the barley crop had been of “unparalleled excellence;” the receipt from the malt tax showed a substantial rise. Nor was it only the consumption of intoxicants which had increased. That of tea, tobacco, and dried fruits showed substantial additions, proving that the purchasing power of the country was expanding, and that “better times” had begun for the labouring classes; while the simultaneous increase that had taken place in the receipts from the income tax and the stamp duties, was an additional proof that the propertied and business classes were sharing in the improvement.

The original estimated surplus of 1863 before the remission of taxation—£3,740,000—had been larger than any surplus hitherto estimated for since the fall of man; though it was equalled or exceeded no less than five times during the next twelve years. The realized surplus amounted to £3,150,000, a figure which had been only thrice equalled since 1830; but a sum which, within the next ten years, was thrice exceeded.*

For 1864† the estimated expenditure was put practically at the actual expenditure of the previous year—£66,890,000 against £67,060,000.‡ The promised economy was, however, continued as the year went on, and considerable savings were effected.

* In 1844 the realised surplus was £6,340,000; in 1850, it was £3,174,000; and in 1853, £3,524,000. In 1864 the realised surplus was £3,850,000; in 1869, £3,218,000; in 1872, £5,890,000. The estimated surplus in 1865 was £4,000,000; in 1869, £3,000,000; in 1870, £4,360,000; in 1872, £3,600,000; in 1873, £4,760,000; in 1874, £5,500,000.

† Budget Speech, II., April 7th, 1864.

‡ The debt-charge for 1864 (in consequence of the conversion of some stock into terminable annuities) was £200,000 higher than that of 1863; while, on the other hand, the expenditure of the former year included some four to five hundred thousand pounds of special outlay.

Some unforeseen items of expenditure arose in the course of the year: New Zealand cost, as usual, a couple of hundred thousand pounds or so; the second moiety of £175,000, for the redemption of the Scheldt tolls, had to be paid; * an additional sum of £220,000 was required for the navy estimates. This last was required for the purchase of two iron steam rams, which Messrs. Laird (the constructors of the *Alabama*) had been building for some "destination unknown," and which the Government, in spite of the protests and asseverations of the builders, had impounded, in the belief that the rams were intended for the use of the Confederate States. Litigation had ensued, and, as a solution of the difficulty, the ships had been purchased for the British navy. Nevertheless, in spite of these supplementary estimates, the total expenditure of 1864 only amounted to under sixty-six and a half millions, a reduction of nearly three millions over that of 1862.

The tax revenue for 1864 was estimated to produce £700,000 less than the yield of the previous year, in consequence of the balance of remissions from the income tax and the tea duty left over from 1863, and which would fall on the current year. As we have already noted during all these years the estimates of revenue were based substantially on the actual proceeds of the previous year, and practically no allowance was made for the normal or abnormal increase of revenue that might take place. Yet even the disastrous year 1862 had shown recuperative power to the extent of to some three-quarters of a million; while, in 1863, the "elasticity of revenue,"—by which is meant the increase in the tax revenue of the year over that of the previous year after taking into account any changes in taxation which may have been made—had amounted to as much as $2\frac{3}{4}$ millions, of which no account whatever had been taken in the estimate. The prospects for the coming year were better than those of the previous year. It would receive a considerably greater measure of relief from taxation than had been the case even in 1863. Peace seemed assured, trade was good, consumption was increasing, pauperism was diminishing, and all this would tend to an improvement of revenue. But, nevertheless, no account was taken of any natural increase likely to arise on the revenue;

* See *I.* 281 for explanation.

an increase which actually amounted to $3\frac{1}{2}$ millions on the year. It was not, indeed, as we shall see, until 1874,* that the custom was introduced of estimating for the full normal annual growth of revenue; and estimating, not on the basis of the receipts of the previous year, but, after taking everything into consideration, on the amount that it was expected would be actually received in the current year.

The total revenue for 1864 was estimated at £69,500,000,† which, with an expenditure of £66,900,000, left a surplus of £2,600,000. As a matter of course, the surplus this year was to be applied to the reduction of sugar duties and the income tax, just as in the previous year, it had been applied to the reduction of the tea duty and the income tax. Tea and sugar had been companions in misfortune, and in relief were not to be divided.

With the reduction of the sugar and tea duties disappeared the last burden laid by the Crimean War on articles subject to customs duties. That war differed from all previous wars, inasmuch as it had initiated no new tax. But it practically established the income tax on a permanent footing, and it raised the excise spirit duties to a permanently higher level than before.‡

“Strange,” as Mr. Disraeli profoundly observes of sugar, “that a manufacture which charms infancy and soothes old age should so frequently occasion political disaster.”|| From very early days, and especially during the period of the budding and blossoming of Free Trade, the question of the sugar duties was a burning one; the controversy extending over a longer period, and the question being almost as acute, as that of the corn laws themselves. But long before 1864 the matter had ceased to be of a party or controversial nature.

* See *II.* 178.

† The miscellaneous revenue included a further sum of £500,000 from China, as well as £100,000 from Japan, as compensation for “outrages” committed on British subjects. Our original claim from the Japanese Government was for £125,000, of which £25,000 was to come from a tributary prince. But the Prince refused to pay, and the money was “taken out” by the bombardment and destruction of his capital. A barbarous act according to some; inadequate punishment according to others, because, as the houses destroyed were built entirely of paper and wood, they could all be rebuilt in a week.

‡ Compare Mr. Courtney’s article, in the *Reign of Queen Victoria*, on *Finance*, i. 340.

|| *Life of Lord G. Bentinck*, p. 322.

From almost the very earliest days of the taxation of sugar—dating from the Commonwealth*—our oldest “plantations,” Barbadoes,† Jamaica, &c., were encouraged to grow sugar by the imposition first of differential duties, and then of a bounty in favour of colonial as against foreign sugar. The policy was successful, inasmuch as after a time and for a long period, very nearly all the sugar consumed in England came from the West Indies. In 1700 the consumption of sugar amounted to about 10,000 tons, which, by the middle of the century had increased—though the duties had been meanwhile raised—to over 50,000 tons. By 1793 the duty had been further considerably raised to 12s. 4d. per cwt., when, with a consumption of about 84,000 tons, the revenue was some £1,300,000. During the war the duty was of course increased—it was raised, indeed, no less than seven times—and, by the end of the war, the duty on “plantation” sugar was as much as 30s., that on East Indian 37s., and that on foreign sugar practically prohibitory, at 63s. a cwt.

After the great war—as, later, after that of the Crimean war—sugar came off second best. So much revenue had been lost by the repeal of the income tax and the malt war duty, that only a beggarly three shillings per cwt. was given in reduction of the heavy war burden, on colonial and on foreign sugar—East Indian sugar receiving no relief at all. No further reduction was given until 1830, when, Goulburn reduced the duty on “British Plantation” sugar by another 3s. to 24s., and that on “East Indian” sugar by 5s. to 32s., leaving untouched the duty on foreign sugar, which had been raised again to 63s. In 1836, the two duties were assimilated at the lower figure, and the contest between West Indian and East Indian sugar came to an end. In 1840 the duties were increased all round by Baring’s five per cent. levy.

* For the history of sugar and the sugar controversy, see Dowell, iv. 21; McCulloch, *Com. Dict.* “Sugar;” Annual Reports of Commiss. of Customs; Huskisson’s *Speeches*; Cobden’s *Speeches*; *Life of Sir T. F. Buxton*; Porter, 551, etc.; Parnell, chap. iv.; Tooke, each volume, especially vol. v.; Northcote; Peto’s *Taxation*; Taylor’s *History of Taxation*; Levi, *History of British Commerce*; Noble, *The Queen’s Taxes*; *Hansard*, innumerable Debates, especially up to 1848; *Ency. Brit.*, &c.

† Sugar itself was introduced by the Crusaders from Tripoli, and gradually took the place of the honey previously used for sweetening purposes. But it was not until the introduction of tea and coffee that this “honey made without bees” came into general use. Sugar was first imported in 1646 from Barbadoes.

It was shortly after this that the contest arose over the question of whether, under the peculiar conditions under which it was produced, sugar should not be excepted from the newly embraced fiscal policy. But a short time previously the nation had been profoundly moved by the horrors of slavery. The evil thing had been put away, and the English people had borne in no ungenerous spirit the sacrifice thereby entailed. Under such circumstances, it was not unnatural that a strong opinion should exist against any withdrawal of the encouragement given to the production of "free-grown" as against "slave-grown" sugar, by the then existing protective duties. Fiscal considerations were, it was urged, all very well, but moral example should outweigh them. The planters, and those pecuniarily interested—and in those days the sugar interest was very influential—supported the philanthropists, and pleaded likewise that, while but a short time since they had enjoyed the advantage both of slavery and of protection, they had now been bereft of the one, and to take from them the other would be to bring them to ruin. On the other hand, the free traders argued that the question was one solely and wholly of the consumer. It was no more wrong to buy and to consume slave-grown sugar than slave-grown cotton, on which our chief manufacture entirely depended. As to the planters, they had been petted and pampered only too long, and it was unjust that the English nation should be further taxed for their benefit.

The fray began in earnest in 1841, when the Whigs, tardy but precipitate converts to the doctrine of free trade, and to the policy of reduction in order to encourage consumption, reversed their action of the year before, and proposed substantially to reduce the prohibitory duties on foreign sugar. It was the vote in that year on the sugar duty resolutions*—a vote largely influenced, however, by the question of the corn law, and other extraneous considerations—that practically sealed the fate of the Whigs.

In 1844, Peel himself touched the thorny question, and pro-

* The amendment that was carried against the Government stated "that, considering the efforts and sacrifices which . . . the country has made for the abolition of the slave trade and slavery," the House was not prepared to reduce the duties on foreign sugar. (*H.*, May 7th, 1841.) See *I.* 42, 59.

posed, while leaving untouched the prohibitory rate on foreign "slave-grown" sugars, to change that on "free-labour" sugar * into a duty still differential, but not prohibitive—from 66s. 2d. to 35s. 8d., the duty on Colonial sugar standing at 25s. 3d. The Government were not fortunate in their proposal. A resolution in favour of reducing the duty on Colonial sugar also, was carried against them, and it was only by a threat of resignation—Peel showing, as Disraeli said, "a detestation of slavery in every place except on the benches behind him"—that the House was forced to reverse its decision, and to accept that of the Government.

In the following year the rate on Colonial sugar was divided into two classes, and reduced; a further reduction on foreign free-labour sugar being at the same time given, though the rate on slave-grown sugar was still left prohibitory. By 1846, the principles of free trade had made so much progress, that, after Peel's fall, the Whig Government felt themselves in a position to deal thoroughly with the sugar question. They effected an immediate reduction of the prohibitory duty on foreign slave-grown sugar to the rate charged on foreign free-labour sugar, and further arranged that by gradual steps the duties on sugar, of whatever origin, should be gradually assimilated to that charged on Colonial sugar. The duty on Colonial sugar was at the same time itself gradually to fall to about 10s. a cwt. on the standard quality,† with proportionate reductions on the other qualities. At first intended to be carried into effect by 1851, the final equalization was subsequently postponed until 1854.‡

The heavy duties in force before 1845 had seriously checked the consumption of an article which was beginning to be regarded as less and less of a "luxury," and more and more of a "necessity,"|| while until that year of imports of foreign sugar there were

* China, Java (Dutch), and Manilla sugars were looked upon as "free-grown;" those of Brazil, Cuba (Spanish), and the southern States of America as "slave-grown."

† Sugar of the quality "not equal to white-clayed," and the duty on this quality of sugar is the one quoted throughout.

‡ In 1845 the duties were—on sugar, "not equal to white-clayed:"—British, 14s.; foreign, "free-grown," 23s. 4d.; foreign, slave-grown, 63s. The first was to fall to 10s. by 1851, and the others to the same figure by 1854.

|| In 1830 Sir H. Parnell spoke of sugar as "a luxury in universal use;" but, the year before, Huskisson had emphatically asserted that "two-thirds of the poorer consumers of coffee drank the beverage without sugar."

practically none.* Under the Act of 1848, the duty on standard foreign sugar, fell in 1853 from 14s. 6d. to 13s.—that on British having already reached 10s. in 1851—and would in 1854 have fallen a further 3s. to the equalization rate of 10s. But in that year, war necessities caused the equalization of the rates, not at 10s., but at 12s.—the duty on Colonial sugar being increased by two shillings, that on foreign sugar being reduced by one shilling only.† In 1855 the duty was raised from 12s. to 15s. Somewhat reduced in 1857, the remnant of the war duty still remained. Now, in 1864, the duties were not only reduced, but also simplified and re-arranged, and the system of classification was reconstructed, so as to include sugars of an inferior description, before practically excluded. The reduction given varied from a quarter of the duty on some sorts, to a third on others, and constituted a general reduction of about 4s. a cwt.,‡ bringing the average duty down to about a shilling less than the figure at which it had stood at any previous time during the century.

The duty when reduced in 1864 was producing about £6,250,000 a year, and the total import of raw and refined sugar amounted to 12,000,000 hundredweight. In 1870** the duty was further reduced by one half, when yielding £5,400,000, with an import of 17,000,000 hundredweight. The remaining half, then producing £3,300,000, was further reduced by another moiety in 1873.†† The remainder was surrendered, at a cost of about £1,900,000, in 1874,‡‡ when the imports were the same as in 1870. By 1885 the import of sugar had reached 25,000,000 hundredweight.

* The foreign raw sugar retained for home consumption amounted in 1844 to only 98 cwt.; that from British possessions, in the same year, was no less than 4,130,000 cwt. By 1848 the amounts had risen respectively to 1,220,000 and 4,920,000.

† See I. 152.

‡ The duties in existence previous to 1864 were 18s. 4d. on refined sugar, and 16s., 13s. 10d. (standard “not equal to white-clayed”), 12s. 8d. and 10s. 4d. on different qualities of unrefined, and 5s. on molasses. The new scale was at the top 12s. 10d., and ranged through 11s. 8d., 10s. 6d. (standard), 9s. 4d., and 8s. 2d., down to 3s. 6d. on molasses. The duties on such articles as almond paste, dried cherries, confectionery, marmalade, ginger, &c., into the manufacture of which sugar largely entered, which, in 1842, had been at the rate of 6d. a pound on foreign and 1d. on British, had gradually fallen to 2d. in 1853 with the duty on sugar, and were to have fallen further to 1½d. in 1854. But, in that year, along with the increase in the duty on sugar, the rate was raised to 2½d. (equal to 15s. per cwt.). In 1860 the duty was again at 2d., and was now further reduced to 1d.; in 1870 to ½d. (or 4s. 8d. per cwt.); in 1873 to ¼d. (2s. 4d. per cwt.), and in 1874 it finally disappeared, with the disappearance of the sugar duty.

** See II. 108.

†† See II. 152.

‡‡ See II. 187.

The consumption of sugar has never shown the same steady progress year by year as that of tea. The crop itself is more variable; and the production, and therefore the price, is also governed by artificial causes, by which tea is not influenced: on the whole, however, the consumption has gradually increased.*

In connection with the reduction of the duties, an important fiscal question arose. Should the duty in the future be charged, as it had been since 1848—after the free introduction of foreign sugars had greatly increased the number of qualities imported—on an elaborate system of classification, or at a uniform rate? As this question has been finally disposed of by the abolition of the sugar duties, we need not follow the Chancellor of the Exchequer into the discussion of a subject which he forcibly, but truly, described as “irremediably dull,” and “abounding in every element of repulsiveness”; a subject that could be only discussed in technical phraseology, and which required an intimate knowledge of terms, some of which are as incomprehensible as they are uncouth, and each with some subtle meaning—“glycose,” “khavr,” “jaggery,” “muscovado,” “white clayed,” and “brown clayed” sugars (ominous and too suggestive terms). Then the chief point in dispute, in regard to the classification itself, turned on the “crystallisable saccharine” matter contained in the sugar. The opponents of the classified system contended that while it was complicated and difficult of application, hampering and harassing to trade, it encouraged the worst, and discouraged the best, class of sugar. Its supporters, on the other hand, maintained that an uniform duty would be unduly burdensome on the cheaper, and would unduly favour the more expensive, sugars.

The Chancellor of the Exchequer decided for the classified as, on the whole, the better system, inasmuch as it carried out the important principle of fiscal legislation, “that the form of the duty should be such as would least interfere with the natural course of trade, and be the least open to the charge of offering to the producer or manufacturer a premium on doing something

* The consumption of sugar in 1841 was but 17 lbs. per head per annum; by 1851 it had risen to 25½; by 1861, to 35½; by 1871 to 46½; in 1882 it was 70½ lbs.; and in 1885, 74½ lbs. The consumption of 1886 was only 66 lbs., but this was due to exceptional causes. Refined sugar was first included in the return in 1856, when the consumption amounted to 1·03 lbs. per head.

different from that which he would do if there were no duty at all." The modified *ad valorem* system was already applied, said he, in the case of wine, and would be applied in the case of tea if it were not that "from the nature of the commodity itself, the principle was found inapplicable in practice." Touching on, and refuting, the argument that classification was protection, he expressed his satisfaction at finding that it was now only necessary to attach to any doctrine the name of protection, in order to secure its condemnation—an argument which, we fear, in these days of "pious opinions," is not quite so self-evident and convincing as it seemed in 1864.

The woes and burdens of malt were for a moment pleaded against those of sugar. But, in the minds of the public, sugar "held the field," and the claims of malt were speedily disposed of by a decisive majority; the malt tax itself had again shown a further rise of receipts, to the annoyance, we may well believe, of those who advocated its abolition. For not only was it year by year proving itself to be an increasing, and therefore a more valuable source of revenue; but the more it produced the greater the gap which its partial or total remission would cause, and therefore the less the likelihood of its relinquishment.

The gross loss on the sugar duty, the total gain to the consumer and the trade, would be £1,720,000; the net loss of revenue, allowing for an increased consumption of six per cent., would be £1,360,000, of which £1,330,000 would fall on the current year.

So much for sugar.

The income tax was to be reduced by another penny, to 6*d.*, and the loss of revenue and the gross relief (in the case of the income tax the same thing), would be £1,230,000, of which £800,000 would fall on the current, and £430,000 on the following year. On this occasion, however, the remission given was to be more than merely a penny of income tax, relinquished because the revenue was sufficient enough without it. Another attempt was to be made to bring the tax within those manageable limits which would place the country "fairly and plainly" in the position of being able to decide, once for all, whether the tax should be kept at its then level, abolished altogether, retained at a reduced figure, in case of emergency, or used as "an instrument of ordinary finance for the satisfaction of ordinary purposes." The

Chancellor of the Exchequer justly urged that it was very undesirable that the question should be disposed of in "an indirect or equivocal manner, or that the income tax should creep unawares into perpetuity; that it should be continually dealt with simply by renewals from twelvemonths to twelvemonths, founded on, and perhaps sufficiently justified by, the exigencies of the moment, but having no reference to policy, and announcing to the country no clear, distinct, and decided views on the part of Parliament with respect to the proper mode of dealing with this great instrument of taxation."

Yet, in consequence of the slight continuity of purpose that has actuated successive Chancellors of the Exchequer, this very thing has come about. The tax has crept into perpetuity—for no one now thinks of suggesting its abolition—unawares, without system, and consequently without reform; with the result, that while the income tax is, as it should be, a permanent tax (for without it the incidence of taxation would be grossly unjust) it is a tax which, if in principle excellent, is in detail most faulty. On income derived from capital it is indeed a tax on "income," but on that derived from personal exertion it is, as at present assessed, necessarily a tax partly on spendable income and partly on essential savings.

Experience had already shown the futility of attempting to fix by act of Parliament a definite term of years as the period, and a definite poundage as the amount, at which the income tax should be levied, and after which it should expire: no promise, therefore, was now to be made, no pledge to be given. The tax was in 1864 and 1865 (if revenue permitted) to be reduced to what might be called its "legal minimum"—the fivepence to which, under the scheme of ten or eleven years before, it was to have been reduced before extinction. At 5*d.*, the tax would produce but six millions, and if economy prevailed, if the revenue remained elastic, if some form of direct taxation in another shape could be found, it would then be within the power of the House finally to decide whether they would repeal the tax or maintain it at a low rate. The tax was to be immediately reduced from sevenpence to sixpence, with the intention of further reducing it to fivepence in 1865. As it turned out, in that year, so large was the estimated surplus, that the Chancellor of the Exchequer

was able as well as willing to reduce the tax not merely to its "legal minimum" but to 4*d.*, and it is probable, almost certain, that if—one of those historical "ifs," the contemplation of which is at once so interesting and so futile—Lord Palmerston had survived a year or two longer, the income tax would for the time have disappeared. So long as he lived he would not have been displaced; legislative stagnation and departmental economy would have continued to prevail; while the public mind being still inclined towards abolition, the Chancellor of the Exchequer (himself most anxious to redeem his unfulfilled pledges of 1853) would have found means of dispensing with the tax. And thus Mr. Gladstone would in his own person have fulfilled the aspiration to which he gave vent in 1861, but the fulfilment of which he had then left as a legacy to "those little legislators who are now receiving a plum or cake after dinner."*

But—as I think fortunately—it was not to be. Lord Palmerston's death brought on Reform, Reform brought defeat to the Liberals, and strange faces other minds, succeeded at the Exchequer. Economy was for the moment in abeyance; "Black Friday" and war rumours affected the elasticity of the revenue; Abyssinia swallowed up millions. When, in 1868, Mr. Gladstone returned to office, though not to the Exchequer, the income tax, instead of being at 4*d.* was at 6*d.*, and the national expenditure far exceeded the limit at which, in his opinion, as expressed in 1864, the income tax could be dispensed with.† Reduced expenditure and returning prosperity again rendered feasible a gradual reduction in the tax. But, by this time, the nation had become more inured to its existence and accustomed to its

* "I think that it would be a most enviable lot for any Chancellor of the Exchequer—I certainly do not entertain any hope that it will be mine—but I think that some better Chancellor of the Exchequer, in some happier time, may achieve that great consummation; and that some future poet may be able to sing of him, as Mr. Tennyson has sung of Godiva—although I do not suppose the means employed will be the same—

"He took away the tax,
And built himself an everlasting name."

(Budget Speech, April 15, 1861.)

† "I should hazard an opinion, that if the country is content to be governed at a cost of between £60,000,000 and £62,000,000 a year, there is not any reason why it should be so governed without the income tax, provided that Parliament shall so will it to be. If, on the other hand, it is the pleasure of the country to be governed at a cost of between £70,000,000 and £75,000,000 a year, it must, in my judgment, be so governed with the aid of a considerable income tax." (II., April 15, 1861.)

use; while, whatever may have been the opinion of his chief, Mr. Lowe, now at the Exchequer, held the opinion that the income tax (at a low figure) should be part and parcel of the financial system of the country.

Thus failed the attempt of 1864, as that of 1853 had failed before it. One more attempt—the last we may safely prophesy—to get rid of the tax, was made ten years later, when an income-tax-abolition Budget was unsuccessfully presented to the country in the form of an election address.

A few minor alterations were proposed in the Budget of 1864;* and one further considerable reduction was made by the Budget of 1864. The fire insurance duty—truly a “tax on prudence,” though Mr. Gladstone himself preferred to call it a “tax on property,”—was modified in deference to repeated, and successful motions in the House.† The 3s. per cent. duty on “stock-in-trade” was, at a gross loss of £283,000, reduced by one half; and so much difficulty was experienced in effectively defining “stock-in-trade,” that the reduction was in the following year extended to all forms of fire insurance. The insurance duty did not respond to the reduction; and the cost of collection being now disproportionately heavy, the duty was finally repealed in 1869. The total loss involved by its reduction, and in the end by its final repeal, amounted to something over a million and a half.‡

The gross relief from all the reductions made in the year were put at £3,250,000, the net loss to the revenue (after recovery)

* As follows:—a reduction of the licence duty for the sale of tea; a reduction on hawkers' horse licences; modification and reduction of the stamp duty payable on admission to ecclesiastical benefices of small value; reduction of the stamp on Joint Stock proxy papers from sixpence (formerly thirty shillings) to a penny; as well as the duty on certain powers of attorney. The law as regards the liability of life insurance policies to the stamp duty was cleared up; marine re-insurances were equalised and a duty imposed thereon; “occasional licences” to refreshment houses and sellers of beer were created. The net loss of revenue entailed was only put at £10,000.

† In 1862 the Government, opposing a motion which called for the reduction of the duty, had been beaten by a majority of eleven.

‡ The Fire Insurance duty, originally imposed in 1694, and extended in 1782, had been, like so many other taxes, increased in amount (doubled, in fact), during the Great War. At the end of the war the duty produced some £600,000 a year, and the property insured amounted to £400,000,000, a rise of half a million of revenue, and £250,000,000 of property insured, since the tax was first imposed. Between 1815 and 1864 a few alterations and reductions had been made in the duty.

£2,860,000, of which £3,330,000 would be in diminution of the receipts of the current year, and £530,000 of those of 1865. The original surplus had been £2,570,000; the balance left to be carried forward would be about £240,000.

The Budget of 1865* was the seventh and last of the Palmerstonian Parliament which, elected in May, 1859, and dissolved in July, 1865, nearly exhausted its legal septennate,—a Parliament which stood in the unique position of having had presented to it no less than seven Budgets; nearly every successive Budget chronicling a more satisfactory state of things, and the last being the most satisfactory of all.

The revenue of the two years, 1864 and 1865, had many points of similarity. In both, the estimated expenditure was low, and was reduced as the year went on. In both, the revenue was prosperous and expanding. In both, the estimated surplus was large, making considerable remissions of taxation possible. In both, public opinion had clearly marked out the course that remission was to follow. In both, the reduction of direct and indirect taxation went hand in hand. In both, the relief given to direct taxation was on the income tax, that to indirect on a customs article of general consumption. In both, the claims of malt were urged as superior to those of the customs duty selected, and in each case its advocates were signally defeated. In both, the fire insurance duty was reduced. In both, the realized surplus, in spite of the large remissions given, was very considerable. Indeed, the main difference between the two years was that, in the one case, the article relieved was sugar, in the other it was tea: and that the larger surplus, in 1865, enabled the Chancellor of the Exchequer to remit taxation to nearly double the amount possible in the previous year.

The financial year 1865 opened under brighter auspices than its predecessor both at home and abroad. Abroad the peace of Europe no longer seemed to hang in the balance. Italy was consolidating her union; while the French troops were being withdrawn from Rome. Austria and Prussia had not as yet fallen out; France seemed to be making steady progress

* Budget Speech, *H.*, April 27, 1865.

towards internal prosperity and liberty, and (it was therefore hoped) to peace.

The apparently interminable American Civil War had come abruptly to a conclusion; and, though all was not yet peace, the opening of the Southern ports had brought about an immediate revival of industry in England, which, combined with a second good harvest, and the quietness prevailing abroad, had greatly improved trade.

The reduction made in 1864 in the sugar duty had been followed by results as satisfactory as those which had followed the reduction of the tea duty in the previous year. The gross amount of revenue surrendered on tea in the financial year 1863 was about £1,660,000. The estimated recovery of revenue from increased consumption was put at £300,000, leaving a net estimated loss to the revenue in the year of £1,300,000. But the receipt from the tea duty in 1864 was only £930,000 less than that of 1863, showing a recovery of revenue in the year, due to increased consumption, not of £300,000 merely, but of £665,000, or more than double the amount that had been expected. On sugar the gross amount of duty surrendered in the financial year 1864 was £1,680,000. The estimated recovery was put at £350,000, the expected net loss to the revenue in the year being thus £1,330,000. But the diminution of receipt had proved to be no more than £900,000, a recovery in the year not of £350,000 merely, but of £800,000, also more than double the amount expected. It was clear that, in both cases, the reduction of duty had reached the consumer and stimulated consumption.

The further reduction of the tea duty in 1865, though on the whole satisfactory, did not give results equally striking. The gross reduction on the year was £2,075,000, the expected net loss of revenue was £1,868,000, while the actual loss was the same, £1,870,000. One reason for the lesser improvement was that a temporary scarcity had raised the price of tea during the year to such an extent as to neutralise half the reduction which had been given, and thus to limit consumption. Again, the trade imports during the first few months after the reductions had been given somewhat outran the public demand; and it took a little time for these increased imports and deliveries from bond to be worked off, thus tending to diminish the imports and deliveries in the

immediately succeeding period. For it must always be remembered that there are no means of tracing the actual consumption of any particular article in a given year, and that when mention is made of the increased consumption of any article of customs or excise, the increase is assumed from the fact that a larger quantity of the article has been taken out of bond by the merchants in that particular year. However, whatever may have been the cause, the imports, both of tea and of sugar, showed a slight falling off in 1865, as compared to 1864. In 1866 the imports were beginning to revive, when the disturbances and increased expenditure of 1867 again gave a momentary check to the consumption.*

With the exception of the year 1858, when it was still believed that a return to something like the old scale of expenditure was feasible, the expenditure of 1865 was the lowest since pre-Crimean days. A minimum expenditure never again approached, and yet one (exclusive of the debt charge) that was no less than ten millions and a half above that of 1853.† The actual expenditure was £65,914,000, which included a vote of credit of £765,000 for New Zealand.‡ Deducting this latter, the ordinary expenditure was no more than £65,150,000, or by some four millions less than

* In 1863 the imports of tea amounted to 136 $\frac{3}{4}$ million pounds, of sugar to 10 $\frac{3}{4}$ million cwt. ; in 1864, the figures were respectively 124 $\frac{1}{4}$ and 10 $\frac{3}{4}$; in 1865, 121 $\frac{1}{4}$ and 10 $\frac{1}{4}$; in 1866, 139 $\frac{1}{2}$ and a little over 10 $\frac{1}{2}$.

† The actual expenditure in 1865, after deduction of the Indian charge (£868,000) non-existent in 1858, and of special outlay, was £64,280,000; that of 1858, after similar adjustment, was £63,145,000, or less by rather over a million. But the debt charge in 1858 was greater than that of 1865 by £2,300,000, so that the real increase of expenditure in 1865 over that of 1858 was about three millions and a half, and over that of 1853 no less than ten and a half millions.

‡ The original army estimate for 1865 had included a considerable sum for the expenses of the never-ending, still-beginning New Zealand wars. But near the end of the financial year a vote of credit for £764,830 was taken in order to meet the expenditure that had for this purpose been entailed on the ordinary army and navy estimates of this and of the previous years.

The New Zealand (Maori) war began about 1859 and continued on and off until England at last, ten years later, in disgust and weariness, withdrew her troops and refused to let them be used for the purpose of fighting internal colonial battles. The Maori revolt arose—as most of the disputes between English settlers and the natives do arise—from the seizure of their lands. The warfare was difficult and disagreeable. The English soldiers could not easily get at the Maoris, and the Maoris fought, when it came to fighting, stubbornly and bravely. The whole number of disaffected natives, male adults, numbered not more than 2,000, yet at one time there were as many as 12,000 troops in New Zealand for the purpose of putting them down. It was calculated indeed in 1864, that in one way and another the war had cost England and New Zealand together, some £5,000,000 ; and that only 150 to 200 natives had in all been killed !

the ordinary expenditure of 1862. The ordinary expenditure on the army and navy, from the point of view of economy, whatever it may have been from the point of view of efficiency—not always the same thing, and invariably a very difficult question to decide—was eminently satisfactory. From the £26,400,000 of 1862 it had been reduced to £23,200,000 in 1865.* The cost of administration showed a reduction over that of 1862, but an increase over that of 1864. But the greatly reduced expenditure of 1864 had been mainly caused by postponements of payments, which had to a large extent to be met, in 1865, while in addition there was an exceptionally large vote for “convict service in the colonies.”

In the Budget for 1865 the revenue was estimated at £70,170,000. The estimated expenditure was put at £66,140,000, and a surplus of four millions was left available. Its disposal was no difficult matter. By the arrangement of the previous year, the Chancellor of the Exchequer was pledged, revenue permitting, to reduce the income tax by a further penny. But, with a surplus of four millions at his disposal, of which about a couple of millions could be devoted to the reduction of direct taxation, he determined at once to reduce the tax to fourpence—a penny less than it had ever stood before. The surrendered twopence would cost the revenue in gross £2,600,000, of which £1,650,000 would be lost in the year itself, and £950,000 in 1865.

Indirect taxation was to receive a nearly equivalent relief. And here the Chancellor of the Exchequer was in somewhat of a dilemma. In 1863, when making the first reduction on the tea duty, he had emphatically asserted that the reduction he was then giving was, as far as he was concerned, to be a final measure.† But prosperity and economy now forced his hand. There was available a couple of millions of surplus to be devoted to the reduction of taxation on some article of general consumption. It was clear that the most satisfactory and economical use to which the money could be put, would be to reduce substantially the

* In every case the Indian charge, as having nothing really to do with the charge on the British taxpayer, is omitted.

† “The Committee need not apprehend that the proposal thus to fix the duty upon tea only for a limited period (a year) will have any disturbing or unsettling effect; for it is thoroughly understood by the trade, and by the country, that when the tea duty shall be reduced to a shilling per pound (to which it was then being reduced) the reduction will be, so far as we may presume to look forward into the future, a final measure.” (Budget Speech, 1863.) See *I. 304*.

duty on tea, instead of frittering it away on a variety of remissions; and his own mere *ipse dixit* two years before could not, of course, be allowed to stand in the way of such a consummation. Eight years later the same thing occurred. In 1870, Mr. Lowe, when reducing the sugar duty, made a like specific declaration with regard to that article. Yet, only three years later, an embarrassing surplus compelled him to belie his words by his acts, and to make a further large reduction in the sugar duties—one which led in the following year to their final abolition.*

Before assent was granted to the proposed reduction by one half of the duty on tea, the advocates for the reduction of the malt tax tried another fall. It was easy to show that, from the fiscal point of view, the malt tax was faulty in the extreme,—a tax on the raw material, a duty necessitating minute and vexatious excise supervision, a burden interfering with freedom of cultivation and manufacture. But with trade good, wages high, consumption increasing, it was generally felt that no national advantage, direct or indirect, but rather the contrary, would result from any reduction of taxation on intoxicants. Again, the duty on tea was still some forty per cent. or more on the value, while that on beer was but twenty per cent., and it could be reasonably argued that the two articles ought at least to be placed on an equality, before any doubt could fairly be cast on the necessity of relieving the less innocent beverage. A commutation of the duty on malt into a tax on beer might be expedient and advantageous, but under existing circumstances the difficulties in the way were very great. Repeal being out of the question, and commutation not then seeming practicable, tea easily won the day.†

The reduction of the duty on tea from 1*s.* to 6*d.* a pound, involved a gross relief to the consumer and a gross loss to the

* See II. 108, 152.

† See II. 76, for the Commutation of 1880. Two small concessions to the barley-grower and maltster were given in this and the previous year. The system of charging the duty by measure operated to the disadvantage of the lighter barleys, and the maltster was now to have the option of having the duty charged by weight or by measure as he preferred. Again, the farmer, in future, if he chose to mix his malted barley with linseed meal, so as to render it unfit for brewing, was to be allowed to use it as food for cattle. Not much advantage was taken of either of these concessions. In 1870 leave was given to "germinate" grain under proper supervision for use as food for cattle.

revenue of £2,300,000; and an estimated net loss, after allowing for increased consumption, of £2,075,000, of which £1,868,000 would fall on 1865, and the balance of £207,000 on 1866. The fire insurance duty was still further reduced; the reduction of the previous year being extended to all forms of fire assurances. The loss involved was in gross £570,000, and net £520,000, of which half would come on 1865, and half on 1866. Various minor alterations were undertaken, involving, however, scarcely any change in the revenue.* The result of the remissions given would be a gross relief to the taxpayer of five millions and a half, and a net loss to the Exchequer of £5,125,000. Of this £3,780,000 would be remitted in 1865, which, together with the £500,000 or £600,000 brought over from 1864, would give a total remission in the year of about £4,250,000, and £1,400,000 would fall on the revenue of 1866. The original surplus had amounted to £4,030,000; deducting from this £3,780,000, there would be left a small surplus of a quarter of a million,—a surplus but half the size of the “moderate surplus” of 1863.

* These proposals consisted of small alterations in the stamp duty on transfers of shares and conveyances: on scrip certificates and receipt bonds, so that foreign stocks should be subject to the same duty as British stocks and shares; also the stamp on the letting of small tenements was to be reduced; special pleaders and conveyancers were to be placed on the same footing as solicitors with regard to licence duties; a reduction was to be granted on various ecclesiastical licences; the stamp on a “charter party” was to be reduced from five shillings to sixpence, foreign marine insurance policies were not to be recoverable in England unless brought home to be stamped within a certain time; the general arrangement of stamp duties on assurances was to be somewhat altered.

CHAPTER XVIII.

GLADSTONE.

1859—66.

BEFORE proceeding to detail the events which followed on the death of Lord Palmerston in the autumn of 1865, it will be well to anticipate the Budget of 1866, and at once to summarise the financial features of Mr. Gladstone's seven consecutive years at the Exchequer.

The Budget of 1866, the first of the new Parliament, the last of the old Government, was postponed by the exigencies of reform to a period somewhat later than usual.* On the Chancellor of the Exchequer, now also leader of the House, had fallen the burden of the management of public business, as well as the brunt of the attack directed against the Reform Bill. Nevertheless, his financial statement bore little trace of pre-occupation or exhaustion, and was as elaborate and as lucid as on previous occasions. The financial year opened amidst very different scenes and prospects to those of 1865. Then peace reigned on the Continent. Now the question as to Austria and Prussia was not "will they fight?" but "when will they fight?" Then, at home, all seemed prosperous and hopeful. Now Fenianism was rampant, the money market was already uneasy, the cattle plague was ravaging the country. Then Lord Palmerston was alive, and the Government were strong enough to beat all comers, while "Reform" seemed as distant as the Greek Kalends. Now Reform was imminent, and the Government was already tottering to its fall, with the anti-Reformers—the Mrs. Partingtons of the period—allied with the regular Opposition against it.

The expenditure of the past year—£66,000,000—had been

* Budget Speech, *H.*, May 3rd, 1866.

less than the estimate. The revenue—£67,800,000—had been by a million and a half more than the estimate; and the year 1865 had ended with a surplus of nearly two millions. For the coming year the estimate of ordinary expenditure, for the first time since economy had prevailed, showed no decrease, but an increase of about a million over the actual expenditure of the previous year. The increase on the army estimates—some £300,000—was due to a special cause: a sudden reduction in the Indian army had had the effect of throwing back on England the surplus men. But most of the increased expenditure was due to necessary outlay on “buildings”—dockyards, post office, and national buildings*—expenditure admittedly in arrears, which pointed to the conclusion that, to a certain extent, the retrenchment of the past few years had merely meant the postponement of necessary expenditure. Nevertheless, the Chancellor of the Exchequer, by comparing estimate with estimate (a most fallacious mode of comparison); by deducting the expenditure on “works” (which ought not to be deducted), and by other means, proved to his own satisfaction that the figures of the year did not show “a real increase in the permanent expenditure, but rather the reverse operation.” Be this as it may, the outlay, whether justifiable or not, whether capable of satisfactory explanation or no, was to be greater in 1866 than it had been in 1865—a somewhat bad beginning for the new Parliament.

The Chancellor of the Exchequer, learning experience by the past, took the unusual course of estimating for an actual increase in the yield from the taxes levied in the year. Nor was he disappointed, for the Exchequer received not only the additional £800,000 thus estimated,† but some million and a half to boot. The miscellaneous receipts, less by £200,000 from China and by nearly £300,000 from India, would be swelled by half a million from New Zealand as its contribution towards the expenses of the Maori wars. The total expenditure was put at £66,225,000, the total revenue at £67,575,000, leaving a surplus of £1,350,000,—

* Dockyards, £370,000; Post Office, £280,000; national buildings, £150,000,—an increase of £800,000 for “works” alone; £2,236,000 instead of £1,427,000.

† The tax revenue was estimated to produce £59,700,000, against receipts £60,360,000—a diminution of £660,000. But nearly a million and a half of revenue which otherwise would have been received in the current year, had been already surrendered in completing the remission scheme of the previous year.

a surplus which would have reached some two and three quarter millions, if it had not been for the anticipatory remissions of the previous year.

Half of this surplus was to be applied to an increased annual reduction of debt, half to remission of taxation. The debt proposals, though dropped after the change of Government, were, in the following year, substantially carried through by Mr. Disraeli; and the two proposals will be discussed together later on.* The debt scheme involved the surrender of about half a million of revenue. Of the remainder of the surplus, a large portion was already practically mortgaged under the terms of a commercial Treaty which had just been successfully negotiated with Austria.† Austria had agreed to reduce her customs duties—previously protective or prohibitive—to the French scale, and in future not to charge more than twenty-five per cent. of the value on any description of imported British goods; England, on her part, had agreed to repeal the duty on timber, and to equalise the duty on wine in bottles to that of wine in the wood.

Even after the Treaty, Austria was still at liberty to charge a duty of five-and-twenty per cent. on English goods; but, nevertheless, it was a great thing to have made a considerable breach in the wall of one of the only strongholds of pure protection that still remained; and it was fully hoped and expected that further reductions of protective duties would follow, other nations learning gradually to appreciate the advantage to be derived from greater freedom of intercourse. In 1860 it had been necessary for those who proposed commercial Treaties, negotiated on the basis simply of mutual advantage, to explain and to defend them. But, by 1866, the results accruing from the French Treaty and from those others that had followed on it, had proved so satisfactory, that explanation and defence were no longer required. The French Treaty of 1860 had practically necessitated the abolition of all the remaining import duties on manufactures; the Austrian Treaty of 1866 further necessitated the abolition of the only

* See II. p. 22.

† England had negotiated a "reciprocity" treaty with Austria in 1829. The advantages obtained by the treaty of December, 1865, was further extended by treaties in 1868 and 1869. Count Beust, the Austrian Chancellor, himself a free-trader, found considerable difficulty in carrying through the treaties, though, in the earlier stages of the negotiations, Cobden's free-trade doctrines were very popular in Vienna. (Beust's *Memoirs*, ii. 93.)

remaining duty on a raw material—timber—a duty which the Chancellor of the Exchequer stigmatised as “the very essence and quintessence of political folly.”

The original duty on timber* was imposed chiefly for revenue purposes, of Colonial trade there being practically none until the war prices of the beginning of the century called it into existence. In 1809, however, the fate of war and the isolation of England closed the Baltic to her, and with it the chief source of the supply of that raw material so essential to her manufactures and her naval requirements. Then, in order to make her no longer dependent on foreign countries for her timber, it was thought advisable still further to encourage Colonial production. The duties on Baltic timber were increased, and, in spite of the re-opening of the Baltic, multiplied;† while those on Canadian timber were kept at a nominal amount. Thus protection was given on political, not on fiscal grounds. Indeed, fiscally, the system was a wretched one. The country was protecting timber which was bad and dear, and discouraging and almost destroying the importation of that which was cheap and good; and this at a cost to the country estimated, in 1830, as amounting to a million or a million and a half a year.‡

In 1820, a committee of enquiry into the state of trade reported in favour of a reduction of the differential duties, and in 1821 the duty on Baltic timber was lowered from 65*s.* to 55*s.*, and that on Canadian timber raised from 2*s.* 6*d.* to 10*s.*, the latter still

* See Dowell, iv. 419; Annual Reports, Commissioners of Customs; Tooke, v. and vi.; Parnell, chap. ii.; McCulloch, *Com. Dict.*; Porter, pp. 380, 587; Speech of Poulett Thomson (Lord Sydenham), March 25th, 1830, as well as his *Life*; Report of Committees of 1820 and of 1835; Hume's and Macgregor's evidence before Import Committee of 1840; Levi's *History of Commerce*; Budget and other speeches, 1842, 1845, 1846, 1851, 1860, &c.

† In 1809, 1810, and 1813.

‡ The evils resulting from the differential timber duties were very clearly brought out in the evidence of Deacon Hume, Porter and Macgregor, before the Import Committee of 1840. The system of taxing at enormous rates the best and least destructible timber, encouraged the use of inferior and perishable woods in the construction of houses and ships; and especially in the case of working men's dwellings, bad timber was used, and too little of it. See, also, *Financial Reform Tract*, 1849, No. 18. The differential duties had gradually come to be looked upon also as a protection to the British shipping interest employed in the Colonial timber trade; ships useless and dangerous for any other purpose were employed in the trade; the public in fact “consumed bad timber in order to employ bad ships.” Deacon Hume Q. 1236) pointed out that the loss entailed on the country by one year's maintenance the differential timber duties would amply suffice to buy up and destroy once for all these timber ships.

enjoying however a preference of 45s. a load. Althorp, in 1831, when the duties were producing about a million and a half, proposed still further to diminish the difference by reducing the one duty to 50s., and raising the other to 20s. But in that, as in other matters, the Chancellor of the Exchequer found to his cost, that a strong "interest" on the defensive is a tough antagonist. The Government withdrew their original scheme, and substituted for it an amended, less far-reaching proposal, on which however they were likewise worsted. In 1840 Baring made a small addition to the duties. In 1841, the Whig Government, in their free-trade Budget, unsuccessfully proposed to reduce the differential duties on timber, along with those on sugar and corn.

Peel dealt with the subject in his first Budget,* again in 1843, and again in 1846, when a further diminution, in two steps, was arranged to take place in 1847 and 1848. The duties were in fact reduced from 56s. to 15s. on foreign, and from 10s. 6d. to 1s. on Colonial timber, while certain woods used for furniture were allowed in free. Peel's reductions were made, however, rather with the object of reducing the import duties on raw materials of manufacture, than with the view of affecting the differential duty in favour of the Colonial produce.†

In 1851 the duty on foreign timber was further reduced by one half; and, in 1860, when yielding about £620,000, the foreign and Colonial duties were equalised at the Colonial rate of 1s.‡

The imports of timber, a material essential to many manufactures, entering, indeed, directly or indirectly, into the cost of all manufactures, was much increased by the reduction of duty effected in 1851. Between this date and 1866, the Colonial supply had increased by one third, and the foreign supply had nearly quadrupled,|| clearly proving that the high and differential duties

* "One of the great merits of the tariff reform of 1842, was that it dealt in a vigorous manner with the complicated scale of timber duties which it found prevailing." (Tooke, v. 436.)

† This is the duty on "timber;" the duty on "deals" or "battens" (sawn timber), was higher.

‡ The reduction of 1860 had cost some £430,000, but had been unexpectedly recuperative, and the tax was still yielding over £300,000 a-year.

|| In 1850 the imports of timber of all sorts, from British possessions, was 1,053,000 loads, and from foreign countries, 600,000 loads, in all just over one and a-half million of loads. In 1859 the amounts were respectively 1,268,000 and 1,460,000; in 1865, 1,455,000 and 2,313,000; in 1885 (the distinction between

had inflicted very considerable injury on British trade and manufactures. It was indeed marvellous that this duty on a raw material of industry—the last relic of a pernicious system—had survived so long and so late.*

The loss of revenue involved by the repeal of the timber duties in 1866 was some £320,000, of which about £300,000 would fall on 1866. The reduction of the duty on wine in bottles involved a loss of £70,000. Two other financial remissions, unconnected with treaty arrangements, were also made. Another tax on food was to disappear; the duty on pepper was to be abolished, at a cost of £124,000. Without, on this occasion, attempting to deal in “a conclusive and effectual manner” with the great question of the taxes on locomotion, a few minor reductions and alterations were to be made in these duties. The mileage charge on stage carriages was to be reduced from one penny to one farthing a mile.† The post-horse duty was to be reduced at the lower end of the scale, so as to place the small owner—under the existing scale somewhat heavily handicapped—in a position of proportionate equality with the larger capitalists. The loss of duty on the two would be about £110,000.

Over the wrongs and blighted hopes of pepper the Chancellor of the Exchequer waxed eloquent. “Its fate,” said he, “might well excite the commiseration of any humane man,” so often had it been on the verge of freedom, and, as often, “some more wealthy and important neighbour had thrust it out of the way.” Yet the duty on pepper was one that justly demanded remission. The spices and condiments more costly had long ago been set free from taxation, while pepper, “a condiment common to all classes of the community,” a link, in fact, between the masses and the classes, still bore an enormous load. The duty at one time had been as high as 2s. 6d., and was still 6d. a pound; and even at the latter rate :

Colonial and foreign trade being no longer maintained in the returns), the total from all countries was over six and a quarter millions of loads.

* The timber duties were still charged under ten different heads, though there were now but two different duties. In 1851 there were fourteen distinctions and ten different duties.

† See II. 95.

‡ Pepper was introduced into England in 1436. In 1815 the duty amounted to the very heavy charge of 2s. 6d. a pound. This was reduced first in 1825 to 1s., and in 1837 to 6d., at which rate it now stood.

the duty amounted to some two hundred per cent. on the value, with the result that pepper was "abominably adulterated." *

All these financial proposals, with the exception of that relating to the debt charge, were successfully carried through. The total amount of the remissions came to about £620,000, of which £560,000 fell on 1866; the additional sum proposed to be devoted to the debt was £500,000. The original surplus had been £1,350,000, and thus some £300,000 still remained, an amount which naturally was to be kept in hand.

With his Budget proposals of 1866, Mr. Gladstone's second period of financial administration—extending over seven years, and including eight Budgets—came to an end.

Certain broad lines of policy ran through the finance of these seven years. A substantial surplus of revenue over expenditure was maintained. The income tax and the productive duties on tea and sugar—articles of general consumption—were utilised for the purpose of finally purging the tariff, of repealing one and commuting another obnoxious excise duty, and of extending commercial relations with other countries. These objects accomplished, and economy on the one hand and increasing consumption on the other, enabling revenue to be actually relinquished, the income tax and the duties on tea and sugar, which had borne the burden and heat of the day, were themselves taken in hand, and the heavy weight of taxation on them lightened.

The income tax was reduced, again reduced, and further reduced, not only because revenue could be spared, and the payers of the tax could justly claim the remission, but in order that, by bringing it down to a very low figure, Parliament should again be placed in the position of being able to decide whether or no they desired permanently to retain the tax.

Reduction was carried out on articles of general consumption on the principle laid down by an old writer some two hundred years before, that a "little custom upon a great trade, is equivalent to a great custom upon a little trade," † the object being, not that

* "Adulteration of food (the Chancellor of the Exchequer went on to say), I am afraid, is in a very special manner and degree an English vice"—and of course adulteration is stimulated by a high duty.

† *Considerations touching Trade* (1641), quoted by Cunningham in *History of British Industry*, p. 345.

the consumer should spend less but that he should spend a good deal more, not that he should, on the whole, pay less taxation, but that he should pay it on a greater consumption, which, to him, would mean increased comfort.*

The tea and sugar duties were selected for reduction, not only because they were articles of general consumption, but because the taxation on them was a proportionately heavier burden on the general mass of the community—those living by weekly wage and those just above them in social position—and the reduction of such taxation would tend to ameliorate the lot and improve the position of the labouring population, as well as towards a greater distribution of wealth.

Not, indeed, that the old theory that fiscal and financial legislation should be mainly directed towards the promotion of the supposed welfare of specific classes and interests was to be revived. On the contrary, legislation was founded on the opposite theory, namely, that the nation included every class, and that that which was for the interest of the consumer was, in the long run, for the interest of the producer as well. On one occasion,† Mr. Gladstone, referring to the oft repeated complaint that nothing had been done “for the class of agriculturists,” turned upon the House with an emphatic “Well, Sir, I should like to know the class for which we have done anything . . . We have been steadily endeavouring,” he went on, “to extricate ourselves from the vicious habit of looking to the supposed claims, and supposed separate and rival interests, of classes, and to legislate simply and exclusively for the interests of the country at large I believe that legislation for the benefit of a class is a mistake of the first order. In the first place, it is a betrayal of our duty to the nation, whose trustees we are, without distinction of class; and in the second place, such legislation confers far less of ultimate advantage, even on the favoured class, than the share which that class itself would derive from wise legislation impartially applied, and spread over the whole community.”

So much indeed did the nation at large and the individual taxpayers benefit from the financial measures of the period, the com-

* Cf. Giffen's article on “Gladstone's Work in Finance” in his *Essays in Finance*, 1st series, p. 212.

† In 1865.

plement of those of 1853, that it was actually made a matter of reproach against Mr. Gladstone that he had rendered taxation too easy, and too pleasant, and that thus, by diminishing the desire of the taxpayer to kick against the pricks, he had done much to diminish zeal for reduction of expenditure, and for remission of taxation. He had, Mr. Cobden declared in 1864, so adjusted the load on the patient taxpayer, that instead of its being tied round the animal's knees, fastened to its tail, blinding its eyes, and impeding and laming him at every step, he had taken the burden off these limbs and placed it over the softest possible pad upon the animal's shoulders; "but the beast is carrying the burden still, and carrying a great deal more than it did before this beautiful process was commenced."* Again, in 1862, Sir Stafford Northcote, speaking of the general financial reforms of the preceding twenty years, asserted that "our fiscal policy has perhaps not directly caused us to spend more, but it has certainly encouraged us to do so."†

As between direct and indirect taxation, Mr. Gladstone had deliberately declared himself to be perfectly impartial. In discussing the question in 1861, he took some credit to himself for never having entered into any disquisition upon such a subject. "I have always" said he, "thought it idle for a person, holding the position of Finance Minister, to trouble himself with what to him is necessarily an abstract question, namely, the question between direct and indirect taxation, each considered upon its own merits. To many people both, as is natural, appear sufficiently repulsive. As for myself, I confess that, owing to the accident of my official position, rather than to any more profound cause of discrepancy, I entertain quite a different opinion." And then, giving play to his fancy, he invited the listening Senate to consider direct and indirect taxation in the light of "two attractive sisters, who have been introduced into the gay world of London, each with an ample fortune, both having the same parentage (for the parents of both I believe to be Necessity and Invention), differing only as sisters may differ, as where one is of lighter and another of darker complexion, or

* *Speeches*, ii. 368.

† *Twenty Years' of Financial Policy*, p. 364. See, also, his *Speech*, II., April 28th, 1873.

where there is some agreeable variety of manner, the one being more free and open, and the other somewhat more shy, retiring, and insinuating. I cannot conceive any reason," added he, "why there should be unfriendly rivalry between the admirers of these two damsels; and I frankly own, whether it is due to a lax sense of moral obligation or not, that as Chancellor of the Exchequer, if not as a member of this House, I have always thought it not only allowable, but even an act of duty, to pay my addresses to them both. I am therefore, as between direct and indirect taxation, perfectly impartial."*

But, he went on to say, "with regard to the remission of indirect taxes, I hope that the memorable history of the last twenty years will never be forgotten; for I do not scruple to state that if you look to its economical profits on the one hand, and then to its political, social, and moral fruits on the other, it is difficult to know to which to give the palm in point of magnitude. If we had not gained one single shilling by the remission of indirect taxation, it would have been worth having, for the sake of the manner in which it has knit together the interests and feelings of all classes of the community from one end of the country to the other. If, on the other hand, it had had nothing to do with any question of moral and social results, still the merely economical results in promoting the material well-being of the people have been so signal and extraordinary, that we may well rejoice to have lived in a period during which it has been our happy lot to take part in bringing about such changes. But, Sir, there cannot be a grosser delusion than the supposition that the work of Parliament, during the period I have named, has been to destroy indirect taxation. The hand with which Parliament has wrought has been a pruning hand; its thought all along has been not to destroy the tree, but to strengthen the stock;† the aim of the operation has been to

* Budget Speech, *H.*, April 15th, 1861. *Collected Budget Speeches*, p. 57.

† Mr. Gladstone here adopted the same figure of speech (though to point a moral somewhat different!) as that of the quaint old theorist who corresponded with Lord Townsend, in 1752, on matters of trade. "It seems to me," he wrote, "that ye Affair of Taxes may be compared to the Pruning of a Tree; which if done with Judgment, will make ye Tree grow ye better. . . . Certain it is that a judicious Application of Taxes to check ye Follies and prune away the Excesses of High Life, and prevent ye Idleness, Dissoluteness, and Intemperance of the Poor, is so beneficial to Commerce that it may be much questioned whether ye whole of Trade doth not

augment both size and vigour ; and the consequence is that at this moment, when indirect taxation has been destroyed, as the fashionable phrase is, not once, but four or five times over, indirect taxation is larger and more productive—I do not mean in this particular year, but in any ordinary year, and upon the average of the last two or three years—than at any former period of our history.” Acting on the principle thus laid down, Mr. Gladstone, as between direct and indirect taxation, had sailed with an even keel ; and as in misfortune, so in good fortune, the two forms of taxation shared alike.

The war, and the subsequent expenditure, had placed a somewhat heavier burden on direct than on indirect taxation, and when remissions became possible, it was evident that the income tax had a somewhat prior claim. By 1862 the extra penny of income tax imposed in 1860 had been removed, while the addition to the spirit duty in 1860 had about balanced the repeal of the paper duty in 1862. In 1863 remission pure and simple began, when £2,750,000 of income tax, and £1,660,000 of tea duty, were remitted. In 1864, £1,230,000 of income tax and £1,740,000 of sugar duty followed ; in 1865 a further £2,300,000 of tea and £2,600,000 of income tax had been repealed. The remission of indirect taxation amounted to five and three quarters millions, that of direct taxation to six and a half millions.*

Of Mr. Gladstone’s dealings with the debt charge we have already had occasion to speak. During the first half of the period the reduction of debt effected was very small indeed ; during the last half it was considerable. But even then, much of the redemption was not deliberate and of set purpose ; it came about through accumulation of what, from this point of view, may be termed chance surpluses. Between 1859 and 1862 (inclusive) only £4,400,000 of debt were redeemed, and the whole of this redemption had taken place in 1859 ; between 1863 and 1865 the

derive all its Motions from it. If Ale and Strong Beer were at 1*l*. a Quart, all our Manufactures would be ruined.” (*Townsend Manuscripts*. Hist. M.S.S. Committee, 11th Report, Appendix iv. 375. Lord Townsend himself had very liberal and advanced ideas on the subject of trade. “For my part,” he wrote in 1752, “I think that the Wealth of a Nation consists in being provided with plenty of everything” (p. 374).

* The figures given above represent the gross remissions ; that is, the gross relief received by the consumer from the reduction. See for definition of direct and indirect taxation, *Appendix L*.

amount was £20,300,000, of which £8,900,000 was due to those realised surpluses.*

In one respect Mr. Gladstone was most fortunate. He was sufficiently long at the Treasury to be able to work out his own plans. His tenure of office was sufficiently secure to enable him to postpone a reform to a more convenient season, with the firm expectation that in some future year he would be able to undertake it. And thus he was not tempted, as Chancellors of the Exchequer are too often tempted, to force into their one crowded hour all their plans and projects. Fixity of tenure also makes for economy; constant change necessarily throws the real power into the hands of that somewhat extravagant, and naturally extravagant, race of men—the permanent officials.† The six years from 1859 to 1865 were extraordinarily free from those constant shufflings of the cards in which Prime Ministers so often seem to take a delight, and which detract so much from efficiency and economy in the public service. Between 1859 and 1865 there were scarcely any changes, except those brought about by death. Throughout, the Prime Minister was the same; the Foreign Secretary was the same; the Chancellor of the Exchequer was the same; the First Lord of the Admiralty and the President of the Board of Trade were the same; at the War Office there were, indeed, two changes, but both were caused by breakdown or death.‡ What a contrast to the constant changes carried out in the *personnel* of the Conservative Government that followed after the Russell interval. They were in office two years and a half, and in that time—though scarcely any change was made by Mr. Disraeli on succeeding Lord Derby—there were two Prime Ministers, two Chancellors of the Exchequer, two War Ministers, two First Lords of the Admiralty, and two Presidents of the Board of Trade.||

The members of the Palmerstonian Government were suffi-

* See Debt Table, *Appendix D.*, and Budget Tables, *Appendix C.*

† "Each department naturally endeavours to exalt its own importance, and wishes to promote its general efficiency, and to have everything in it complete and perfect." Second Report Finance Committee of 1828—equally true now-a-days.

‡ Mr. Sidney Herbert (Lord Herbert of Lea) and Sir Geo. Cornwall Lewis.

|| There is much truth in Bagehot's remark, when speaking of the constant changes of ministries and ministers which take place, that "in many matters of business, perhaps in most, a continuity of mediocrity is better than a hotch-potch of excellencies." *The English Constitution* (ed. 1878, p. 179).

ciently long in office to be able to master the permanent officials ; the members of the Conservative Government were not sufficiently long in office, nor the individual members of it long enough in particular offices, to be more than their mouth-pieces.

We have already seen how, from 1859 to 1862, the national expenditure, for that time enormous, had been on the increase.* The total optional expenditure (that is exclusive of the debt charge), which had risen from $34\frac{3}{4}$ millions in 1858 to 42 millions in 1862, was reduced by 1865 to 38 millions. The estimate for 1866 amounted to about $39\frac{1}{4}$ millions ; and, with the exception of 1865, it was lower than the expenditure of any year since 1858. The expenditure on the army had risen from twelve millions in 1858 to just over fifteen in 1862 ; that on the navy from just over eight in 1858 to over eleven and a quarter in 1862. By 1865 the former had been reduced to thirteen, and the latter to ten and a quarter millions. The general cost of administration, which had risen from £11,730,000 of 1858 to £12,400,000 in 1862 was reduced to £11,900,000 in 1865 ; the business outlay and the charge for the debt were almost identically the same in 1862 and 1865. Thus had the good management of the later years redeemed previous extravagance.

The revenue had well responded to economy and to reform. At first, instead of a steady annual increase in the receipts from the taxes on which a Chancellor of the Exchequer would have been justified on calculating, there had been fluctuations, and but a small aggregate advance. The receipts of the year 1859 were considerably higher than had been anticipated. The receipts of 1860 showed a great falling off ; those of 1861 and 1862 only a very moderate recovery.† Then came a change. In each year from 1863 to 1866 there was a great recovery of revenue, ranging from two millions to three millions and a half annually.

Between 1859 and 1862 a million and a half of taxation was,

* See *I.* 292.

† As far as I can judge, the "elasticity" of revenue of 1859 (see *I.* 251, *n.*) was no less than three millions ; but this was partly due to disturbing causes. In 1860 there was a falling off of nearly a million and a half ; in 1861 and 1862 an "elasticity" of between £800,000 and £900,000. In 1863 the "elasticity" amounted to two and three-quarters ; in 1864, to three and a half ; in 1865, to two ; and in 1866, to three and a quarter millions.

on balance, imposed. The tax revenue of 1862 was £63,900,000 against the £59,870,000 of 1858, an increase of revenue of but two millions and a half. Between 1863 and 1865 eleven and three-quarter millions of taxation was, on balance, remitted; and while the tax revenue of 1862 was £63,900,000, that of 1865 was still £60,360,000, showing a real increase of revenue of eight millions and a quarter, results due mainly to fiscal reform, and to remission of taxation. Further, while between 1858 and 1862 the foreign trade of the country increased from £304,000,000 (imports 164 millions, exports 140 millions), or £10 14s. 5d. per head, to £392,000,000 (imports 226 millions, exports 166 millions), or £13 8s. 5d. per head; by 1865 it had risen to £490,000,000 (imports 271 millions, exports 219 millions), or £16 9s. 2d. per head.*

It was this increase of trade, this improvement of revenue, and this diminution of expenditure, that made the period of Mr. Gladstone's second term of office at the Exchequer on the whole the most satisfactory and the most prosperous in English financial history.

* The total annual value of property assessed from income tax in 1858, was 328 millions; in 1866 it was 424 millions.

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